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Meeting Held With U.S. on Effects of Sanctions

AU0605185093 Sofia BTA in English 1838 GMT 6 May 93

[Text] Sofia, May 6 (BTA)—Bulgarian-American consultations on problems related to the enforcement of the sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro) and the possibilities for mitigating the negative consequences of the losses suffered by Bulgaria as a result of the enforcement of Resolution 820 (1993) of the UN Security Council were discussed at the Foreign Ministry today, a spokesman for the Foreign Ministry said.

The Bulgarian side was represented by Deputy Foreign Minister Todor Churov, the head of the Prime Minister's Office, deputy ministers of transport, trade and finance and a representative of the Customs Chief Department. The U.S. delegation was led by Mr. Christopher Hankin, assistant secretary of state, representatives of the State Department and diplomats from the U.S. Embassies in Sofia and Vienna.

The two sides made a detailed analysis of the situation and the problems stemming from the tightening of the sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro) after the adoption of the UN resolution.

The U.S. delegation stressed the significance of the strict observation of the sanctions as an important instrument in exerting pressure for finding a solution to the conflict in the former Yugoslavia.

Mr. Churov confirmed Bulgaria's resolution to perform its international duties as a UN-member state. The Bulgarian side called special attention to the extremely grave socioeconomic situation Bulgaria found itself in after the introduction of the new sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro).

The two sides discussed concrete possibilities for seeking solutions to the existing economic, trade and transport problems.

Shipping on Danube Ceased in 'Last Two Days'

AU0605200493 Sofia BTA in English 1934 GMT 6 May 93

["Today"—BTA lead]

[Excerpts] Sofia, May 6 (BTA)—The line of outgoing trucks at the Vidin border crossing (northwestern Bulgaria) is 5 to 6 km. long, said BTA's local correspondent. The Bulgarian and the Romanian customs authorities are working hard round the clock. A planned repair of the ferry platforms was put off due to the heavy traffic. More than 200 TIR-trucks cross the Danube daily. The situation is normal at the two crossings on the Bulgarian-Serbian border. 300 people a day cross at each of them in the two directions, mostly Serbs who do their shopping in Bulgaria. Shipping on the Danube ceased in the last two days, said the State Shipping Inspectorate. [passage omitted]

The ideological framework of the future Liberal Conservative Union will be drawn up by a working group of the New Bulgaria Party, the Liberals Party, the Zora Political Circle and the Constitutional Forum, the chairman of the New Bulgaria Party told a briefing today. The co-founders are not in a hurry to set up the union, he said.

An initiative committee for a National Monarchist Association was set up on the initiative of the Union of Free Democrats here today. The committee is open to all who uphold the cause of the royalists' unification in this country, says a declaration received by BTA. [passage omitted]

The city councillors of the anticommunist Union of Democratic Forces (SDS) in Sofia will take steps to have the Monument to the Soviet Army dismantled, Georgi Vasilev, chairman of their group, told a news conference today. It will take 1.2 to 1.5 million leva to dismantle the monument, move it to a future Museum of Totalitarian Art (whose place has not been chosen yet) and lay out the exhibits, it was said at the press conference.

The Governing Board of the Bulgarian National Bank (BNB) decided today that the BNB will sell nine-month treasury bills in addition to three and six-month T-bills to financial institutions which are on the register for government securities. The BNB will draw up a project for securities trading on the secondary market, the BNB Press Office said.

In a poll on national television, representatives of the major political forces—the SDS, the Socialist Party and the Movement for Rights and Freedoms, expressed concern over the possibility for an aggravation of Balkan problems after the Vance-Owen plan for a settlement of the crisis was overthrown by the parliament of the Bosnian Serbs.

Assembly Adopts Budget Bill at First Reading

AU0705101593 Sofia BTA in English 2004 GMT 6 May 93

[Evgeniya Drumeva report; "1993 Budget Bill Passes on First Reading"]

[Text] Sofia, May 6 (BTA)—The parliamentary groups of the Bulgarian Socialist Party (BSP), the ethnic Turks' Movement for Rights and Freedoms (DPS) and the New Union for Democracy today voted for the 1993 Budget Bill in principle.

The parliamentary group of the Union of Democratic Forces (SDS) sharply criticized the Budget Bill, voted against it and called on the cabinet headed by Prof. Lyuben Berov to resign.

The cabinet introduced the 1993 Budget Bill in parliament in early April. It projects budget revenues at 71,349.7 million leva and expenditures at 98,933.7 million leva. The cash deficit is to be 27,584 million leva, or 8 percent of the Gross Domestic Product. The Budget Bill was drafted on the basis of 60 percent inflation.

SDS floor leader Stefan Savov said the SDS would vote against the bill because it "was inconsistent with the SDS programme and was antisocial." During the debates MP's of the SDS sharply criticized the Budget Bill, stressing the projected 60 percent inflation was unrealistic which made the budget itself unrealistic. Ivan Kostov, former finance minister of the SDS cabinet, spoke against the cabinet's intention to allocate 22,000 million leva to transform bad debts of state-owned companies into public debt. According to Ivan Kostov, the internal debt will exceed 96,000 million leva in late 1993. "It will be impossible to service that debt, it will be a heavy burden on the future government and will make it impossible to run the country," Kostov said. According to MP's of the SDS, the Budget Bill is inconsistent with the cabinet's intention to follow a socially oriented policy, stated in its programme.

MP's of the BSP, the DPS and the New Union for Democracy stressed the Budget Bill served the purposes outlined in the cabinet's programme.

The main goals of the bill correspond fully to the intention of the government to proceed with the structural reform, said Stefan Stoilov MP of the BSP. He congratulated the cabinet for its commitment to solve the problem with the "bad debts" of the state-owned enterprises. But at the same time the BSP demanded greater activity on the part of the government and, though it supported the bill in principle, insisted on the introduction of certain corrections during its second reading. In connection with the 900 million leva envisaged in the budget for settling Bulgaria's debts to the former CMEA-member states, ex-Premier Andrey Lukanov said that the Bulgarian side can a should assume responsibility only for those debts accumulated with the approval of the government and proposed to strike off the planned sum from the expenditures for this year.

The intention of the government to seek a solution to the problem with the "bad debts" was also supported by the MP's of the New Union for Democracy who said that the government should also prepare the legislative basis for the bankruptcy of inefficient enterprises.

In a statement on behalf of the parliamentary group of the DPS—the political force under the mandate of which the incumbent cabinet was formed, Mr. Ibrakhim Tatarlu called on the MP's to pass the 1993 Budget Bill on first reading, arguing that this country can no longer remain without a budget "because this would deliver a blow on the replacement of the system and would delay the economic reform."

During the week-long debates on the budget opinions were expressed that the draft budget provides limited resources in its expenditures on defence part, bearing in mind the alarming situation in the former Yugoslavia and in the Balkans.

Before the Budget Bill was put to the vote parliament was addressed by Finance Minister Stoyan Aleksandrov who stressed the government's readiness to take into account all constructive proposals and corrections.

Army Day Marked Throughout Country

AU0605183793 Sofia BTA in English 1802 GMT 6 May 93

[Orlin Dzhelepov report: "Military Parade in Sofia: Bulgarian Army Restores Forgotten Traditions"]

[Text] Sofia, May 6 (BTA)—Representative units of the Bulgarian Army marched in procession today across Sofia's central square in front of the building of Parliament in honour of St. George's Day, the Day of Valour and the Bulgarian Army. The parade was reviewed by the commander-in-chief of the Bulgarian Armed Forces President Zhelyu Zhelev. The Day of Valour and the Bulgarian Army was celebrated in all Bulgarian towns.

In the Christian religion St. George is a martyr warrior and a patron of the Christian Army. St. George's Day (May 6) was celebrated as the Day of the Bulgarian Army for the last time in 1947. In the years which followed the defenders of Bulgaria's national independence and the soldiers of the Bulgarian Army were forced to celebrate, after the Soviet model, dates related to the history of the Communist Party.

It is for the first time since the establishment of the communist regime in Bulgaria in 1944 that May 6—the Day of the Bulgarian Army, is celebrated so solemnly. Before the beginning of the parade Patriarch Maksim consecrated the relics of the Bulgarian Army—the flags and symbols of Bulgaria's military victories. According to the Bulgarian military traditions, the flags are consecrated only on three occasions: On St. Jordan's Day (January 6), on St. George's Day (May 6) and when the Bulgarian Army is entering military actions. The Samara flag, under which Bulgarian volunteers took part in the Russian-Turkish War (1877-78) was also consecrated. This flag is the most precious relic for the Bulgarian Army and has taken part in all military actions from the liberation of Bulgaria in 1878 till the end of World War II.

After the service elite units of the three Bulgarian military schools training officers, soldiers of the different arms services and veteran Knights of the Order of Valour marched in procession across the square in front of the building of Parliament. The representatives of the Bulgarian Army were applauded by thousands of citizens.

The parade was received by President Zhelyu Zhelev, Prime Minister Lyuben Berov, MP's, cabinet ministers, the chief of the General Staff of the Bulgarian Army—

Army General Lyuben Petrov, high ranking military and military attaches accredited to Bulgaria.

In his greetings address yesterday President Zhelev said that over the past years the Bulgarian Army turned into a national institution serving solely the interests of Bulgaria and defending its national security and territorial integrity. "The Bulgarian Army became one of the factors guaranteeing the peaceful nature of our transition to democracy and market economy," the president said.

Later on the leadership of the anti-communist Union of Democratic Forces (SDS) organized a festive procession in Sofia in which thousands of young Sofianites took part. SDS leader Filip Dimitrov and SDS floor leader Stefan Savov laid a wreath at the Monument to Vasil Levski—the apostle of freedom. Wreaths were also laid at the monuments of Khristo Botev, Georgi Rakovski and Gotse Delchev who sacrificed their lives in the name of Bulgaria's national independence in different periods of its history. The procession was also attended by National Assembly Chairman Aleksandur Yordanov.

The Day of Valour and the Bulgarian Army was also solemnly celebrated at the Military School in the city of Veliko Turnovo (central Bulgaria), founded in 1878 by the first Bulgarian Prince Aleksandur Batemberg after this country's liberation. Honours were paid to the Mother Bulgaria Memorial in the city raised in memory of the officers and soldiers who died in the Russo-Turkish war, the Balkan Wars and the First World War.

Scores of officers and sergeants of the Bulgarian Army were promoted today by order of Defence Minister Valentin Aleksandrov. Bulgarian military, repressed during the communist regime from September 9, 1944 till November 10, 1989, were also promoted.

DPS, New Democracy Alliance Set Up Contact Groups

AU0605194893 Sofia BTA in English 1925 GMT 6 May 93

[Text] Sofia, May 6 (BTA)—Bulgaria still does not need early parliamentary elections, according to the MP's of the ethnic Turks' Movement for Rights and Freedoms (DPS) and the New Alliance for Democracy. At a special meeting today the two parliamentary groups discussed parliament's work and future law-making, DPS spokesman Yunal Lyutfi said. The anticommunist Union of Democratic Forces (SDS) as well as extraparliamentary forces, including the Bulgarian Agrarian Party, call for early elections.

The MP's of the two parliamentary groups decided to set up contact groups which will meet regularly to discuss parliament's law-making schedule and coordinate their views on bills.

The New Alliance for Democracy was set up as the fourth parliamentary group early this year. It has some 20 members who supported the cabinet headed by Lyuben Berov at its election and left or were expelled from the SDS. Even before that, they charged that the SDS followed a radical policy. During the cabinet crisis last autumn they insisted on talks and compromise for a coalition government of the SDS and the DPS.

Most MP's of the New Alliance for Democracy Are members of the Alternative Social Liberal Party (ASP), which split from the Bulgarian Socialist Party (BSP) in early 1990 and was a SDS affiliate from the summer of 1991 to the end of 1992. Both the DPS and the ASP are represented in the cabinet. Deputy Prime Minister Evgeni Matinchev, an independent, was an MP of the DPS until his election as minister. Deputy Prime Minister and Trade Minister Valentin Karabashev and Industry Minister Rumen Bikov are members of the ASP.

After the election of the cabinet headed by Lyuben Berov, an independent, the MP's of the BSP, the DPS and the New Alliance for Democracy were said to form a new majority in parliament. The anticommunist SDS, with less than 90 MP's, declared itself in total opposition to the cabinet and called for early parliamentary elections.

Police Uncover Plot To Assassinate Havel

LD0605183593 Prague Radiozurnal Radio Network in Czech 1800 GMT 6 May 93

[Text] The Czech Republic police have managed to identify seven foreign nationals who allegedly wanted to assassinate the president of the Republic, Vaclav Havel. Interior Minister Jan Ruml told this today to the Brno CTK correspondent.

The minister said the police got hold of an anonymous letter threatening to assassinate the Czech president. The letter was not completely anonymous; it contained some facts which enabled the police to discover the identity of a group of people on whom it had files concerning other cases. The group is suspected of having committed serious crimes, not only on the territory of the Czech Republic but also in other states. Interior Minister Jan Ruml said four members of the group are under a 30-day expulsion custody. The police are investigating all the circumstances to find out whether an attempt to assassinate the president of the Republic was really being prepared, as well as other serious criminal activities of this group.

Ladislav Spacek, President Vaclav Havel's spokesman, said in reply to a CTK question that he has no relevant information as to whether the police detained several foreign nationals on Wednesday in connection with the alleged plot to assassinate the Czech head of state.

Slovenia's Drnovsek Signs Visa-Free Agreement

AU0605134493 Prague CTK in English 1658 GMT 4 May 93

[Text] [no dateline as received] Klaus told CTK that the [Czech-Slovene free trade zone] memorandum reflects the two countries' will to conclude a free trade zone agreement as soon as possible. He said the work on the agreement would be ended within months so that an agreement may be signed in September and take effect as of January 1, 1994.

Klaus said the memorandum divided goods in exchange into two groups with the first one to be liberalised immediately. As to the second group, customs on these commodities will be lowered to 50 percent of the current level at the first stage and to 30 percent of the current figure at the second one, before being removed altogether. Klaus said the transitional period would take only two, but not five years as originally expected.

Klaus said experts from both countries should define what goods would be included in each group within three months. He said that questions connected with the existence of a customs union with Slovakia and with an envisaged free trade zone between the Visegrad Group member states (the Czech and Slovak Republics, Hungary and Poland) should be settled. Klaus supported the idea of including Slovenia into the Visegrad Group. I believe that the Czech Republic will certainly vote in favour of Slovenia, Klaus said.

The Slovenian premier told CTK that economic ties between Slovenia and Slovakia were considerable. We believe that we will be able to sign a similar agreement on a free trade zone also with Slovakia, he said. It will be a tripartite agreement between the three countries, he added.

An agreement on visa-free relations between the Czech Republic and Slovenia was also signed today by the two countries' premiers. The Czech and Slovenian finance ministers signed an agreement on investment protection.

Klaus and [Slovene Prime Minister] Drnovsek declared their intention to further promote close and friendly cooperation between their countries. On behalf of their governments, they promised to support each other in international institutions.

Meets With Minister Zieleniec

AU0605135093 Prague CTK in English 2207 GMT 4 May 93

[Text] Prague, May 4 (CTK)—Czech Parliament Chairman Milan Uhde and visiting Slovenian Premier Janez Drnovsek in a meeting here today confirmed their countries' interest in further cooperation with the North Atlantic Treaty Organisation (NATO) and stressed that it guarantees the present and future security of European countries.

Uhde told CTK after the meeting that the Czech economic reforms and Slovenian housing policies were discussed.

Drnovsek invited a Czech Parliament delegation to visit Ljubljana and the invitation was accepted, Uhde said.

The Slovenian premier and Czech Foreign Minister Josef Zieleniec declared their countries' support for the Security Council's sanctions against the rump Yugoslavia, for the Vance-Owen peace plan and sending UN troops to Bosnia-Herzegovina to solve the conflict, Lucie Pilipova, spokeswoman for the Czech foreign minister, told CTK after Drnovsek's meeting with Zieleniec.

Zieleniec said that the stand of the two countries on the situation in the former Yugoslavia is similar, Pilipova noted.

A protocol on cooperation between the Czech and Slovenian Foreign Ministries was signed today.

The Slovenian delegation, led by Drnovsek, attended a meeting of Czech industrial union representatives to inform them on the opportunities for mutual cooperation.

Slovenian Finance Minister Mitja Gaspari called on Czech businessmen to invest in Slovenia. He said that Slovenia could at the same time serve as a transit country for the Czech Republic as it has an advanced infrastructure and comparatively developed banking sector.

Czech Deputy Premier and Finance Minister Ivan Kocarnik noted the striking results Slovenia has achieved in stabilising its economy. He said that some Czech companies have already noticed favourable conditions Slovenia provides for business activities. He gave as an example the fact that while about two thousand Skoda cars were exported to Slovenia last year, in the first four months of this year it was already four thousand cars.

Agriculture Minister Lux Visits Israel

AU0505133193 Prague CTK in English 1855 GMT 3 May 93

[Text] Tel Aviv May 3 (CTK correspondent)—Czech Deputy Premier and Minister of Agriculture Josef Lux, on a three-day official visit here since Sunday [2 May], met today with Israeli Premier Yitzhak Rabin to declare the Czech Republic's interest in all-round cooperation with Israel.

Lux, the first Czech top official visiting Israel after Czechoslovakia's division, today attended the opening of the Agritech international agricultural exhibition.

Lux told CTK after the meeting that the Israeli premier had expressed gratitude for the help that the former Czechoslovakia had provided the Israeli state at its birth. Lux assured the premier of Czech interest that agreements on investment protection and on preventing double taxation be concluded as soon as possible. The two countries also intend to sign an accord on cooperation in agriculture and food processing.

Lux said he saw good prospects for cooperation first of all in the exchange of experts and in irrigation. The Czech Republic could also import from Israel citrus fruit, almonds, and other similar goods, he added.

Lux is set to discuss cooperation in agriculture with his Israeli counterpart Yaacov Tsur Tuesday [4 May]. He is also scheduled to meet Minister of Industry and Trade Michael Harish.

Klaus Hands Down 'Ten Commandments' for Reform

AU0605120393 Prague TELEGRAF in Czech 4 May 93 p 9

[Speech by Prime Minister Vaclav Klaus at a "G-30" conference in Vienna on 24 April: "The Czech Republic's Prospects"]

[Text] Prime Minister Vaclav Klaus delivered a major speech last week in Vienna on the lessons to be learned from the first three years of our free society. He was speaking to an independent non-governmental group of politicians, financiers, and economists called the Group of 30 (G-30). Members of the group, which was founded in 1978, are prominent representatives of influential world institutions. We have had to translate the speech because, as Vaclav Klaus confided to us, he prepared it in English:

The Czech Republic is implementing the most radical, rapid, and most consistent and comprehensive economic (and social) transformation of all the post-communist countries. Moreover, the Czech Republic has successfully established a standard multi-party political system and last year's parliamentary elections demonstrated that the country was able to give sufficient support to market-oriented, democratic, and liberal political leaders. For all these reasons, the prospects for the Czech Republic are positive, irrespective of the cumulative negative impact of external factors, and the general situation has stabilized in both the economic and social spheres.

I propose to discuss the fundamental lessons from the first three years of our velvet revolution, which might also be of interest to other reforming countries. I will attempt to sum up the lessons as "Ten Commandments" of the in-depth, basic, and structural (or, to use our terminology, systemic) reform.

1. A change in the entire society as fundamental as the change we are talking about does not require only purely economic solutions. The dreams of social engineers about organizing or managing the whole process of systemic transformation are mistaken, misguided, and dangerous. Theoretical analyses of an optimal sequence of individual reform steps that can be found and studied in knowledgeable economic journals are merely academic because the reality is, and will always be, different. Owing to different time intervals, and political and social pressures by various power and interest groups, the failure of the human factor, and the unimaginable complexity of the entire process of transformation, it is impossible to centrally plan the birth and development of the market economy.

2. The role of foreign assistance in the transformation process is mostly marginal. The reform must be carried out at home and we have had the time and the opportunity to realize that asking for foreign assistance in the increasingly selfish and protectionist world of the last decade of the 20th century is a waste of time. My everyday experience from the last three years with the contradictions in foreign assistance confirms the worst arguments against development aid to be found in the textbooks.

3. There exists absolutely no way of suppressing in the transformation process unviable economic activities based on subsidized prices, artificial demand, and protected markets. No macroeconomic management (fiscal and/or monetary fine-tuning) can prevent the decline of gross domestic product, growth of unemployment, permanent price leaps (after the abolition of regulated prices), and drastic devaluation (prior to the liberalization of foreign trade). Nonetheless, a reasonable macroeconomic

policy can prevent runaway inflation, repeated devaluations, state budget deficits, and growth of foreign debt.

4. Though a detailed advance elaboration of the sequence of reform measures stands absolutely no chance in real life, a few basic rules in the macro sense ought to be observed. Leaving aside political and social factors, for the sake of simplicity, our experience tells us that we must start with a hefty dose of restrictive macroeconomic policy. This policy prepares the ground for the liberalization of prices and foreign trade and, once subsidies are eliminated, it brings about a dramatic change in the whole economic climate. A reforming country that will not consistently implement those fundamental measures at the very start of the reform will inevitably fall into what I call the reform trap: the vicious circle of high inflation (or even hyper-inflation), recurring devaluations, growing foreign debt and budget deficit, and so forth. (I dare say that the country that implanted [implantovala] this unpopular step deliberately, without being pressured to do so by the IMF, and with the greatest commitment was undoubtedly Czechoslovakia).

The second inevitable step is the merciless liberalization of prices and foreign trade, which opens markets, returns true "value" to economic activity and all goods and services, changes past patterns of demand, creates economic balance, cleanses the market, and gives essential signals to the economic entities (mostly yet unreconstructed) operating on the demand side of the economy. The exchange rate must become a solid nominal anchor, an Archimedean fulcrum for the entire economic system, the sole permanent nominal variable. In view of the enormous structural defects (reflected in the leveling out of the payments deficit), however, the exchange rate must be a long way from purchasing power parity. The liberalization of prices must be complete (or at least prevalent), otherwise price distortions will start evolving again. Wage regulation should be either moderate, based on specific indicators, or there should be none at all. The liberalization of foreign trade must be accompanied by the wide-ranging internal convertibility of the devalued currency. After successfully resisting demands for assistance, solutions to difficulties, markets, subsidies, and for the modernization and demonopolization of state enterprises, the government must initiate a rapid and comprehensive privatization process as the fundamental condition for further changes, as a mechanism to find true (and, hence, responsible and reasonable) proprietors, and as the final blow to the aspirations of government bureaucrats to have the economy under control. Other reform measures (tax reform, creating the requisite legislation, improving the structure of the market, increasing financial incentives or support measures, establishing new market institutions, and so forth) can be implemented at any time, as soon as they are prepared and ready to be introduced. These basic rules of procedure are neither original nor innovative. These ideas may only seem original because they have been forgotten or ignored so often.

5. A delicate task (complicated by the fact that the central bank is fully independent and by the rapid changes in the movement of money and in the demand for money, a topic that I discussed in my speech at the CATO [expansion unknown] conference in Washington in March 1992) lies in finding the right moment for a change of tactics in macroeconomic policy shifting away from a restrictive policy toward a neutral policy or perhaps even an expansionist one. An economy undergoing such a radical transformation process is far from homogeneous; the turning point on the curve of aggregate supply from the horizontal toward the vertical part of the curve is therefore very sharp and lies well below the level of full employment. Populist pressures on increasing the amount of money in circulation by means of inflation are very strong and must be warded off. In the first two years—these were the years that preceded and immediately followed the liberalization of prices—we made use of a restrictive policy. Later we moved toward a neutral policy, the policy of a balanced budget, which we are continuing. It seems to me that none of the transforming economies has achieved a state yet suitable for the release of fiscal and monetary control and the initiation of a Keynesian policy of expanding demand.

6. The unavoidable price shock in the wake of the abolition of price regulation must be announced in due course, explained, defended, and "survived." The initial price increases reflect the inherited degree of macroeconomic imbalance (which was low in Czechoslovakia and high in Poland, Russia, and the other republics of the former Soviet Union), while the price increases after the abolition of price regulation reflect the degree of restrictiveness of the existing currency and fiscal monetary mixture. In the case of Czechoslovakia, the initial prices increases amounted to a "mere" 25 percent (in the first month after price liberalization). In the subsequent three months inflation amounted to 7, 4.5, and 2 percent respectively, while in the following 20 months (prior to the introduction of the value-added tax at the beginning of 1993) the monthly level of inflation never exceeded 1 percent. In the other reforming countries inflation fluctuates constantly and drastically, with recurring peaks and troughs reflecting inconsistencies in macroeconomic policy. If the reform is to continue, we must avoid two reform-weakening vicious circles. These are the spirals of the prices-wages and prices-exchange rate ratios.

Our experience tells us that the occurrence of both is firmly linked to the inevitable failure of macroeconomic policy. In the period of restrictive policy (1990, 1991), the growth of wages was slower than that of prices. Under the regime of "neutral" macroeconomic policy (1992, 1993), wages have been growing somewhat faster [than prices] but they have not yet achieved a dangerous level and the variable of wages has been moving proportionately with other concomitant economic variables.

The same is true of the prices-exchange rate ratio. The reforming countries usually face a high level of macroeconomic imbalance (an enormous increase of prices is therefore inevitable), an overvalued currency (with zero hard currency reserves and an extensive deficit in the balance of payments), and a budget deficit (because of slack macroeconomic policies). Nonetheless, the typical reforming country does not devalue its currency sufficiently, growing domestic prices have the tendency to weaken exports and increase imports, the balance of payments deteriorates, which makes a further devaluation necessary, imported inflation (caused by devaluation) drives prices up, and a dangerous vicious circle becomes irreversible. The situation in Czechoslovakia was, and is, different. The initial macroeconomic imbalance was relatively small, the macropolicy [makropolitika] was circumspectly restrictive, and the devaluation sufficiently large. The high degree of inflation created sufficient scope for essential increases of prices (and other costs) and the exchange rate has therefore remained stable for 28 months, despite a price inflation of 75 percent in this period. What is more, hard currency reserves have been constantly growing. This proves that the vicious circle can be avoided if a rational economic policy is applied.

7. An economy cannot be reconstructed without rigorous intervention in the structure of proprietary rights. Expecting a change in the conduct of economic entities without privatization is unwarranted and will never happen. Perestroyka-style economic thinking, which reached its most sophisticated form in the treatises of Janos Kornai, proposes mistaken and misguided political measures. The transition from a non-coercive budget pressure toward a tough pressure cannot be achieved by macroeconomic measures alone. A rational macroeconomic policy represents essential but insufficient conditions for the required change of economic conduct. A reforming country needs to organize rapid and mass privatization, which can be achieved only if the government follows some non-traditional rules:

—standard, that is, slow privatization methods must be accompanied by much faster non-standard ones;

—the aim of privatization is to find new private owners rather than to maximize revenue from the sale of state-owned property;

—privatization must start at the lowest level, not at government level. A special government office should only deal with the course of privatization and not with planning, organizing, modernizing, restructuring, distributing, and demonopolizing (the German Treuhandanstalt is an extreme case of such an approach);

—the influx of foreign capital is welcome, but foreign capital must not be preferred to domestic capital. The role of foreign advisers should be minimal.

The Czechoslovak method of coupon privatization has been very successful and should also be tested in other countries. I must admit that it is an exacting task to thwart the activity of government privatization offices and, in particular, to prevent their attempts to bureaucratically control (and deform) the privatization process.

8. The basic reform strategy should be based on the greatest possible degree of division of transformation costs. The concept of division is necessary for both social reasons (to be able to defend the inevitably growing income and property inequalities) and economic ones (to bear the jointly inherited burden of excessive stocks of unsalable goods, bad old debts, incomplete investment projects, irrecoverable frozen assets abroad, and so forth). The problem is that a tendency appears to transfer the transformation costs to the government, which becomes the place of the "last resort." Its freedom to make positive, "autonomous" decisions (on financial outlays) becomes increasingly limited and its involuntary outlays, made under duress, then exceed the state budget.

9. I have already mentioned the crucial role of domestic factors in the transformation process and the limited impact of foreign aid and consultants. External factors are, nonetheless, very important, though from a different viewpoint. What we really need from the rest of the world is not aid but trade and exchange. By exchange I mean symmetrical relations based on the principles of equality. We do not need one-sided deliveries because these usually do not command respect on the other side. They tend to be poorly used, poorly managed, or poorly deployed. We need the exchange of people, ideas, and, most important of all, we need exchange of goods organized so that both parties to the contract derive a profit. This is why we are so critical of the discriminatory and protectionist measures accompanying every success we score in exporting to Western markets. The transformation of the postcommunist countries in Europe paradoxically represents a very important external challenge for Western Europe as well. It is becoming clear that the collapse of the Iron Curtain does not require renewal and transformation on the Eastern side alone. The Western side, too, has to adapt and its need to adapt is no less urgent. The attempts to put off this painful economic and social process by means of protectionism and by discriminating against the former communist countries can only make the problems worse on both sides.

10. It is absolutely essential for reformers to have faith in the success of the reforms, to be able to inspire all their fellow citizens, and be able to establish broad pro-reform coalitions. The reform is not an academic problem; it is a political affair and it is of immense importance to enlist sufficient political support for it. We realized at the very beginning that establishing a political platform was an indispensable part of reform activities. We have managed to establish the only conservative party in the former post-communist world [as published] that is capable of appealing to the nation and winning broad political support. This required immense political and human efforts, hundreds of political tours, and endless meetings with thousands of people—in other words, it required, and still does, a permanent campaign. Telling people the truth was the biggest weapon that helped us

win the elections and achieve a basic pro-reform consensus. A credible program in lieu of populism, realism in lieu of false promises, and optimism and self-confidence in lieu of pessimism, doomsday scenarios, and dreams about state paternalism—those are the primary conditions of success. We hope to achieve it.

Lack of Funds Causes Problems for Arms Producers

AU0605132393 Prague HOSPODARSKE NOVINY in Czech 5 May 93 p 3

["hr"-signed rEport: "Perhaps, Even Shorter Service in the Coming Years"]

[Excerpts] The Czech Army will only purchase military hardware from domestic producers that is capable of competing with the products of world producers. In view of the fact that the army's development is not being taken into consideration during the next two years due to a lack of funds, some of the companies that were its exclusive suppliers may find themselves in difficulty.

Czech Defense Minister Antonin Baudys also said at yesterday's news conference in Prague that the Army will have to obtain—at least—specific funds for its minimum modernization. At the same time, arms plants have to try to place a considerable part of their output on foreign markets. However, this implies that they will have to orient themselves toward foreign technology and cooperation with foreign partners. "I think there has been such inactivity in this sphere in past years that a number of companies now find themselves in an unpleasant situation," said Baudys. [passage omitted]

Government-approved 12-month basic military service is already envisaged in the new army concept. Baudys did not discount the possibility that it could be reduced even further in the coming years, while expert circles acknowledge that 8-9 months is a sensible length of service; shorter service would be impossible.

In connection with the possible dispatch of military units to the former Yugoslavia, Baudys said that, if the Czech Republic is asked to send units and the government and parliament agree, we will only be able to send support units. We are not ready to send combat units, he stated.

Commentary Attacks Government Policy on Bosnia

AU0605132593 Prague RESPEKT in Czech No 17, 3-9 May 93 p 1

[Ales Valenta, Vladimir Mlynar commentary: "The Road to NATO Goes Through Bosnia; The Buck-Passing Approach to the Yugoslav War Disqualifies Us From Europe"]

[Text] The former Czechoslovakia, and, by the same token, the Czech Republic, possess the unique historic experience of Munich when Czechoslovakia was confronted with the same type of great power policy of concessions to, and appeasing, the aggressor as is now experienced by the Bosnian Serbs. One would therefore expect, also in view of the former intimate knowledge of the southern Slav environment in Bohemia, our foreign policy not to resort in its attitude toward Bosnia to superficial and "escapist" meditation that is so typical of today's European and world diplomacy.

Unfortunately, this is not the case. Even during Jiri Dienstbier's era [as foreign minister], the Cernin Palace [seat of foreign ministry] became infested with buck-passing in relation to the Yugoslav war and President Vaclav Havel has been the only Czech politician to defy this attitude. Only in his case is it possible to speak about reflection of the experience of Munich and a sense of shared responsibility for developments in the world and, particularly, in Europe.

Words of Praise from a War Criminal

Only since this January has Czech foreign policy been able to assume its own position on the Yugoslav conflict. Defense Minister Antonin Baudys has made several statements regarding the possibility of Czech troops becoming involved in an armed intervention against the Serbs; in the last such statement he said that direct participation by Czech units in combat operations was not only technically impossible but also unreasonable, in view of the danger of retaliatory terrorist attacks. True, no one can imagine Czech units fighting alongside NATO troops in the front line. But why do we have to use such frightened and buck-passing arguments supporting, in the final analysis, [Czech left-wing philosopher Ivan] Svitak's slogan "Hands Off Bosnia"?

In his last extensive statement on foreign policy in parliament, Minister [of Foreign Affairs] Josef Zieleniec devoted a "whole" eight lines to the war in Bosnia. Though he mentioned our supposedly active part in solving the dangerous conflict in former Yugoslavia, for safety's sake he did not even utter the word "Bosnia." As for the degree of "pragmatism" of Czech policy toward Bosnia, Prime Minister Klaus clearly scaled the heights last week when he warned against "considering the Serbs and no one but the Serbs the main culprits of the conflict." At a time when the United States and NATO think only about how to force the Serbs to stop their war of conquest and extermination in Bosnia and to respect the will of the international community, the Czech prime minister gave indirect but very clear support to Serbian war criminals.

The praise was not long in coming: the "Yugoslav" puppet President Cosic was delighted that "more reasonable and realistic views are appearing among Czech politicians." Besides the "warmonger" Havel, as the Czech president is regularly referred to by Serbian officials, we thus now also have a "reasonable" prime minister.

Speaking About Freedom Is Not Enough

If Klaus' commentary on Bosnia represents the famous pragmatism that is characteristic of today's Czech society, then it is a considerably fallen pragmatism, a brand of pragmatism that takes no interest in what is happening behind the nearest mountain (unless business is at stake) and indirectly calls on other states to display similar indifference. The true degree of our Europeanism is demonstrated by the fact that Klaus' attitude is not unique on our political scene. Quite the contrary. The president apart, Christian Democratic Party Chairman Vaclav Benda has been the only one to support a more energetic action against the Serbs. Other politicians, judging at least according to their public statements, have the same or a similar view as the prime minister. Liberal Social Union leader Frantisek Trnka, according to whom a "struggle between the great powers" is going on in the Balkans, was so enthusiastic about the prime minister's attitude that, quite against his usual practice, he called Klaus a "great politician."

In an interview for RESPEKT at the beginning of this year, Minister of Foreign Affairs Josef Zieleniec said: "By drawing closer to NATO we primarily want to show the world that the values for which NATO was founded, freedom and democracy, are also our values and that we are ready to defend them with arms. The issue is that at a key moment the citizens of a given state pledge to sacrifice their own lives if someone attacks the citizens of another state." According to the minister, it is "terribly important" to make it known that we share with all due seriousness this extraordinary pledge of co-responsibility for developments in Europe. A comparison between those resolute words and our couch-potato policy [zapecnicka politika] toward Bosnia lays bare one unpleasant thing: We can only speak about freedom, democracy, and solidarity. Instead of declaring unequivocally that we will /of course/ [word between slantlines is printed in wide-spaced type] participate in a possible intervention in Bosnia, together with the Western world, and offering at least logistical support troops, we are looking for arguments why we cannot do anything. In other words: A conflict a few hundred kilometers away from our borders, in which freedom and democracy, values held so high by Minister Zieleniec, are trampled on at every step by Serbian communists and nationalists, leaves Czech policy quite indifferent. And not only policy. The Czech intelligentsia—writers, philosophers, artists, and journalists—remains equally indifferent.

The Bosnian war is a big test of the responsibility of all European states and nations for the further development of the old continent. The Czech political representatives and intellectuals (with the exception of Vaclav Havel and Vaclav Benda) are failing this test.

Ministry Calls Czech Statement on Border Issue 'False'

AU0605132193 Bratislava SLOVENSKY DENNIK in Slovak 5 May 93 p 1

[TA SR report: "Czech Republic's Measures Are Not Acceptable"]

[Text] Peter Kuchar, the Slovak Interior Ministry spokesman, has issued an official reply to the statement delivered by Beata Bernikova, substituting for the Czech Interior Ministry spokesman, which claimed that the Slovak Government acknowledged its interior minister's report on the building of border crossings with the Czech Republic, which provided a basis for the Czech Republic's protection of its territory against refugees.

This reply states that this information is not only unofficial but also false. The Slovak Republic has taken a firm stand regarding the border issue, and this has been communicated more than once through the Slovak Interior Ministry. The Slovak Republic insists on honoring the treaties signed with the Czech Republic at the end of last year. These treaties specify, among other things, the possibility of unencumbered crossing of the Slovak-Czech border at any place, and citizens may cross it upon identifying themselves with a personal identity card.

Moreover, the statement emphasizes that the Slovak Republic has repeatedly pointed out the unacceptability of the protectionist measures on the part of the Czech Republic with respect to the problems of migration. Therefore, last week the Slovak Government rejected the material on border crossings at the Slovak-Czech border that was submitted by the Slovak foreign minister rather than the interior minister, the statement by the Slovak Interior Ministry's spokesman reads.

Meciar, Romanian Minister Exchange Complaints

AU0605135593 Bratislava REPUBLIKA in Slovak 5 May 93 pp 1, 2

[TA SR report: "Voluntarily Good Relations"]

[Excerpt] Bratislava— [passage omitted] "We are interested in an early conclusion of the treaty on friendly relations and cooperation between the Slovak Republic and Romania," Slovak Prime Minister Vladimir Meciar told Teodor Melescanu, Romanian minister of foreign affairs, in Bratislava yesterday. The two representatives spoke about bilateral cooperation and exchanged views on the present political situation in the Central European region. Vladimir Meciar's visit to Romania will be preceded by visits by Slovak economic ministers, who will prepare the signing of some specific agreements. These agreements will also concern Romania's debt to the Slovak Republic.

In their conversation, the Slovak prime minister and his Romanian guest did not eschew the question of the two countries' relations with their common neighbor, Hungary. Vladimir Meciar noted in this context that the Hungarian side had been given the draft of a comprehensive Slovak-Hungarian treaty. The [Slovak] condition is that the treaty guarantees the immutability of the common border. The talks on the contents of the treaty continue, with the Slovak side insisting on the clause on the immutability of borders.

According to the Romanian minister of foreign affairs, his country is having similar problems regarding the treaty with Hungary and the Romanian Parliament would not ratify the treaty if it did not contain the clause on the immutability of borders. Vladimir Meciar stated that his meeting with the Romanian minister of foreign affairs could not be understood as being directed against a third party but as an essential mutual consultation on common problems.

The Romanian minister of foreign affairs left for home yesterday.

Prince Henri of Luxembourg Concludes Visit

AU0605133293 Prague CTK in English 2154 GMT 4 May 93

[Text] Bratislava May 4 (CTK)—Slovakia must undergo the process of industry transformation and turn to advantage its position in the heart of Central Europe, Prince Henri, crown prince of the Grand Duchy of Luxembourg, told journalists at the end of his two-day visit to Slovakia today.

Slovakia, according to Prince Henri, can draw on the experience of a country even so small as Luxembourg, where transformation of the steel industry, for example, has been going on for several years with positive results. Slovakia's image was not good, but that it was first of all Slovak citizens who had to work for its improvement, Prince Henri noted.

During his two-day visit to Slovakia, Prince Henri conferred with Slovak Foreign Minister Jozef Moravcik, was received by President Michal Kovac and met Finance Minister Julius Toth and Economics Minister Jaroslav Kubecka. He was accompanied by a 15-member business delegation of important Luxembourgian firms and banks who held talks with Slovak business representatives.

National Bank Official Explains Revaluation

AU0605145593 Bratislava PRAVDA in Slovak 5 May 93 p 2

[Interview with National Bank Deputy Governor Marian Jusko by Stefan Mesaros; place and date not given: "A Turnaround in Six Weeks"]

[Text] On 3 May the Slovak National Bank [NBS] revalued the Slovak currency against the Czech koruna by 3 percent. Since the very opposite had been expected until recently—the Czech side had, literally, been exerting pressure on Slovakia to devalue its currency further—this unexpected development has raised many questions. There has even been speculation on whether

this step was taken on the basis of a political decision! What is the real reason? We asked NBS Deputy Governor Marian Jusko this and other questions.

[Mesaros] Was the Slovak Republic's active balance in the new payments block the real reason for revaluing the Slovak currency?

[Jusko] The only reason for revaluing Slovakia's currency is the Republic's high balance in relation to the Czech Republic in the new clearing ECU [European Currency Unit] block. Trade with the Czech Republic is conducted in two accounts. Outstanding claims and obligations prior to 8 February 1993 are paid through the clearing ECU old block. We have obligations of around 700 million korunas there. However, in the new block—involving outstanding claims and obligations after 8 February 1993—we have a high active balance amounting to some 50 million ECU, that is, roughly 2 billion korunas. So, the aforementioned high balance was influential in returning us to our starting position. That is, we are collecting more than we are paying. In essence, we are giving credit to the Czech Republic and our economy cannot sanction this.

[Mesaros] However, when the Slovak currency was originally devalued, it was said that this would help Slovak exports to the Czech Republic?!

[Jusko] We had to react somehow to the turnaround, when our liabilities turned into assets in the space of six weeks. After all, it is necessary to introduce balance into mutual trade. But I think the Slovak currency's previous devaluation and current revaluation were not the main factors that influenced mutual trade.

[Mesaros] What are the main factors?

[Jusko] They lie somewhere else. For example, they could be obstacles in the customs procedure, hesitancy in forging new relations, and so on.

[Mesaros] Do you think that, when these barriers have been overcome, turnover between the Czech and Slovak Republics will increase?

[Jusko] It would be desirable if mutual turnover were to increase. I do not know if this will happen, because it is one thing to conduct domestic trade and another to conduct international trade. Let me give you an example—insolvency. In domestic trade, companies continue to sell their products. However, when it comes to international trade, guarantees are asked for. I believe that if all these problems are overcome, mutual turnover could increase.

[Mesaros] Although you have explained the revaluation, did it not—in the end—also come about for political reasons?

[Jusko] No. Nevertheless, to find out whether speculation is going on or whether the payments agreement is being ignored requires an analysis in the field. I have certain suspicions. So far, they have not been confirmed and, therefore, I do not want to make them public. The only reason for revaluing the Slovak currency is the Slovak Republic's high active balance in the new clearing ECU block.

Goncz Holds Talks With UK Foreign Secretary

LD0705103393 Budapest Kossuth Radio Network in Hungarian 1000 GMT 7 May 93

[Text] According to President Arpad Goncz, Hungary has become a front-line country against its will, therefore the settlement of the southern Slav conflict is our ultimate interest. Hungary is getting into a difficult situation as a result of complying with the UN resolutions, and Hungarians in Vojvodina are also in a difficult situation. The president of the Republic spoke about this at the talks he held with British Foreign Secretary Douglas Hurd. At the talks there was also mention of our joining the EC. Arpad Goncz referred to the fact that Hungary is aware that this process is not easy and the fulfillment of the economic conditions depends on us. Great Britain continues to support Hungary's joining the EC, the key issue of which is economic modernization, the British foreign secretary opined.

Customs Control Tightened on Yugoslav Border

LD0605164393 Budapest MTI in English 1338 GMT 6 May 93

[Text] Budapest, May 6 (MTI)—Hungarian customs tightened control on the Yugoslav border, imposing a full ban on all goods to and from Yugoslavia, a customs and excise office senior official said on Thursday.

However, exports to Yugoslavia of food, medical products and humanitarian aid can be licensed by the United Nations Security Council's sanctions committee in New York, Ferenc Daroczi said.

An earlier limited ban on transit of certain goods was also extended to cover all goods, by any means, going through Serbia and Montenegro, as of midnight yesterday, May 5.

Daroczi said transport had stopped on the southern border stretch of the Danube. The new measures left passenger traffic unaffected, but caused a significant drop in road freight.

Since the new ban took effect, no trucks had crossed the border at Hercegszanto, while two empty trucks left and two entered at Tompa.

As the measures reduced the workload on customs staff, a redeployment to the Hungarian-Romanian border was possible. This would not jeopardize enforcement of the embargo, Daroczi said.

Under Hungary's recent government decree, the new embargo of Resolution No. 820/1993 of the UN Security Council can be almost fully implemented.

Enforcing some parts of the resolution, however, requires amending certain Hungarian laws. The Justice Ministry is currently working on a government decree that would bridge the time gap until amendments could be adopted.

Minister Regrets Delay in Ukraine Agreement

AU0605140193 Budapest MAGYAR HIRLAP in Hungarian 5 May 93 p 3

["Sz.P."-signed report: "Jeszenszky: Increasing Misjudgments"]

[Text] MAGYAR HIRLAP interviewed the foreign minister and the chairman of the Parliamentary Foreign Affairs Committee on their views on the fact that parliament postponed ratification of the Hungarian-Ukrainian basic agreement.

In Hungarian history, whenever ill fate eases, misjudgements become stronger, this is how Foreign Minister Geza Jeszenszky commented to us on the long and heated debate that had preceded ratification of the Hungarian-Ukrainian basic agreement, which then led to the postponement of the issue.

At the same time, Laszlo Kovacs, chairman of the Parliamentary Foreign Affairs Committee, told MAGYAR HIRLAP: I am sad that strong emotions and the hunt for popularity based on despicable nationalist instincts have played such a big role in the debate over this important issue. People who spoke in this spirit forgot that this kind of international agreement has to be examined from two points of view. One is whether the approval of the agreement would strengthen or weaken Hungary's security, and the other is whether it would improve or worsen the position of ethnic minority Hungarians. From this point of view, the answer in both cases is yes to the Hungarian-Ukrainian agreement. On the other hand, rejection of the agreement would weaken Hungary's security and worsen the situation of Hungarians living in the Subcarpathia, Kovacs stated.

Nuclear Plant Wants Russia To Continue Taking Waste

LD0605193793 Budapest MTI in English 1822 GMT 6 May 93

[Text] Budapest, May 6 (MTI)—Paks nuclear power plant managers hope that this year Russia will continue to accept nuclear waste from Soviet-type projects, including Hungary's one nuclear plant, Balazs Kovats, plant information chief, told MTI today.

Hungarian nuclear waste is going through Ukraine, also hit by a recent Russian ban on importation of nuclear waste. For this year, Hungary and Ukraine have a valid nuclear waste transport agreement, which can be cancelled with six-months notice.

In 1992, Russia continued to receive Hungarian nuclear waste under a special permit. The last consignment went in February this year. Since Hungarian-Russian talks on this year's deliveries have already started, early agreement is hoped for.

Should talks end in failure, waste container capacity at Paks will be sufficient until the first quarter of 1995. The Hungarian side has made preparations to expand its storage capacities.

Foreign Ministry Comments on Situation in Bosnia

LD0605202593 Warsaw TVP Television Third Program Network in Polish 1900 GMT 6 May 93

[Text] The Polish Ministry of Foreign Affairs has expressed its disquiet in view of the worsening international situation in the Balkan region. In the opinion of the Polish Foreign Ministry the use of force, in accordance with the UN Charter, may—in this situation—become necessary.

UN Human Rights Commission Special Envoy Tadeusz Mazowiecki has condemned the repeated instances of Serbs breaking the Geneva conventions. Mazowiecki has also criticized the Muslims for their attempt to treat the people of Srebrenica as a human shield.

Estonian President Signs Investment Accord

WS0605144893 Warsaw TVP Television Second Program Network in Polish 1100 GMT 6 May 93

[From the "Panorama" newscast]

[Text] Estonian President Lennart Meri began his two-day visit to Poland with talks with President Lech Walesa. Greeting the guest, Lech Walesa said that our countries have a great chance to create something new in Europe; something more peaceful that will guarantee us more freedom. The Polish president also emphasized the significance of regional cooperation. After the brief talks, in front of the two presidents, the foreign affairs ministers exchanged documents which ratify the treaty on friendly cooperation and good neighborly relations. They also signed agreements on mutual protection of investments and on civil air communication.

Meets With Prime Minister Suchocka

LD0605184393 Warsaw PAP in English 1654 GMT 6 May 93

[Text] Warsaw, May 6—The Estonian president, Lennart Meri, now on an official visit to Poland, received on Thursday Polish Prime Minister Hanna Suchocka.

Both politicians discussed privatisation in their countries as well as talked about expanding economic cooperation, mainly in maritime economy.

They also touched upon the possibility of establishing a Polish-Estonian industrial and commercial chamber and introducing a "via baltica" transport system, reported Zdobyslaw Milewski, press secretary for Premier Hanna Suchocka.

PL Group Decides To Return to Coalition

LD0605164493 Warsaw Radio Warszawa Network in Polish 1200 GMT 6 May 93

[Text] The Peasant Alliance [PL] parliamentary floor group, which held a meeting in the Sejm building, has decided to return to the government coalition. The final decision on this matter will, however, be taken at a meeting of the PL's Council. Feliks Klimczak, chairman of the party's floor group, told us about the reasons for the PL parliamentary floor group's decision to return to the coalition:

[Begin recording] [Klimczak] First, the positive opinion by the Council of Ministers' Economic Committee [KERM] and the Council of Ministers' decision on minimum prices, and also Deputy Premier Goryszewski's statement that, simply, a positive decision is dependent on the PL taking the responsibility for implementation of the agricultural policy program. In other words, on participation in the government, that is, in the coalition. Moreover, a declaration issued at yesterday's meeting to support the implementation of those laws on the parliamentary forum which had already been adopted by the Council of Ministers and which were also among the PL's conditions; it concerns the law on (?subsidies) and two privatization laws.

[Unidentified reporter] Mr. Chairman....

[Klimczak interrupting] ...simply a new situation.

[Reporter] Mr. Chairman, does this all mean that the ministers who submitted their resignations will return to the government?

[Klimczak] The ministers submitted their resignations because the PL left the coalition. I do not know what is happening with those resignations; it is difficult to say at present. All those elements will be taken into consideration as regards the PL's participation in the coalition. At present we have a positive opinion by the parliamentary floor group on this issue. Tomorrow, a meeting of the parliamentary floor group's Presidium will be held during which, in keeping with the resolution of the Supreme Council, the Presidium itself and the chairman of the party are empowered to assess the implementation of the conditions and a possible to be or not to be in the coalition. [end recording]

Warsaw Clinic Blocked During Health-Care Strike

WS0605144193 Warsaw TVP Television First Program Network in Polish 1000 GMT 6 May 93

[From the "Wiadomosci" newscast]

[Text] The strike by health care workers, organized by Solidarity, is spreading. The seven regions that started the strike yesterday were joined this morning by the area near the Beskidy Mountains. In Warsaw today is the second day of the blockade of the government clinic.

[Begin recording of correspondent A. Sukmanowska] The entrance to the clinic has been blocked by ambulances that arrived there from all over Poland. Patients are being sent to other clinics and hospitals for examinations. Health care workers are striking in eight regions.

Most clinics did not admit patients for two hours today, from 1000 to 1200 [0800 to 1000 GMT]. The form of the strike is decided on by hospitals workers in referendums. Solidarity wants all voivodships to join the strike by Monday. Today at 1630 [1430 GMT] in the headquarters of the region in Warsaw, representatives of 50 clinics will have a meeting to decide the course of the protest in the Mazowsze region, which will begin on the morning of 10 May. [end recording]

Teachers' Strike Spreads

WS0705064493 Warsaw TVP Television First Program Network in Polish 1000 GMT 6 May 93

[From the "Wiadomosci" newscast]

[Text] The indefinite strike of teachers, proclaimed by Solidarity, is continuing. According to the All-Polish Strike Committee, the protest of teachers is still spreading. Solidarity estimates that more than 60 percent of schools are on strike. According to the Ministry of National Education, it is only 15 percent. The Polish Teachers Union is supposed to decide today whether or not to support the Solidarity strike.

In Gdansk, teachers have gone on a sit-in strike. They do not leave the school buildings. In other regions an absence strike has been declared. Teachers come to school only during working hours. [as heard] Apart from Gdansk, other cities in which the most schools are on strike are Krakow, Szczecin, and Lodz. In Gdansk and Krakow, the protest was also joined by schools of higher education. Teachers demand a change in the budget law, which does not allow greater financial resources for education. According to trade union activists, if the government does not agree to talks by the end of the week, it will likely be impossible to organize the final examinations according to the schedule. Anna Urbanowicz, deputy minister of education, informed that if the curriculum was not realized, the ministry would prolong the school term. Most likely today the Polish Teachers Union will decide whether or not to support the Solidarity strike.

Walesa Comments on Strikes

WS0705110793 Warsaw TVP Television Second Program Network in Polish 0900 GMT 7 May 93

[From the "Panorama" newscast]

[Text] Solidarity leader Marian Krzaklewski was present at mass and breakfast with President Lech Walesa. After the meeting, the president said that he was convinced that the problem of strikes in the country would soon be resolved.

[Begin Walesa recording] [word indistinct] the prime minister. I broke off the talk with Chairman Krzaklewski. Now Krzaklewski is talking with the prime minister. As far as I know, because I have just called the prime minister, the situation is developing in a favorable way; that is, common sense is beginning to prevail. Now, I would like to say the following. These protests, in general, are right. However, the ways in which the protests are being resolved are wrong. I, the president, did not know about these problems. I did not know the problems were so acute. I was not informed; if I had been informed, I would certainly have intervened; I would not have allowed the agreements not to be implemented. However, I would not have allowed unnecessary strikes. They must, therefore, be serious, especially those who work in the fields of culture and science; they must show how problems should really be resolved. As I have said, those problems can be solved, but the manner of solving them must be different. Such a manner can only lead to a tragedy in this country. [end recording]

Marian Krzaklewski, who visited the striking workers in the Walbrzych Voivodship yesterday, ensured them that they were supported by the trade union leaders. The workers of more than 40 plants in that region were on strike yesterday. According to the plenipotentiary of the Voivod, the number was much smaller. The reason for the protest is the government law concerning the restructuring of the region. The union members say that the law is contrary to its earlier version, which was earlier negotiated with them.

Bosnians Urged To Accept Vance-Owen Plan

AU0605182493 Bucharest Radio Romania Network in Romanian 1700 GMT 6 May 93

[Government statement faxed to Radio Romania Network on 6 May]

[Text] Romania's Government has learned with concern of the decision adopted on 6 May 1993 by the Bosnian Serb parliament regarding the Vance-Owen peace plan and expresses its regrets that, despite efforts at the international level, it does not confirm the hopes of world public opinion for a political settlement of the conflict.

The postponement of the adoption of a favorable decision, which was expected and is so needed, does nothing but prolong the dramatic situation of the population in Bosnia-Herzegovina and increase the concern of the international community—thus generating new responses in order to impose the cessation of the conflict, which poses a great threat to peace and stability in the area.

We express the hope that reason will eventually prevail and that the Bosnian Serb population will opt for the peace plan promoted by the UN Security Council.

Under the current circumstances, Romania's Government reaffirms its conviction that the only way to stop people's suffering and to avoid the escalation of hostilities and the expansion of war is a political solution to the problems, no matter how complex they may be. The continuation of force and new military actions will only escalate the conflict and compound the Yugoslav tragedy and the threat for peace and security in that area and throughout our continent.

Iliescu Discusses Nature of Washington Visit

AU0605201193 Bucharest DIMINEATA in Romanian 29 Apr 93 p 3

[Interview with President Ion Iliescu by unidentified Washington correspondent of Radio Free Europe, aboard the presidential plane during Iliescu's return from Washington on 23 April]

[Excerpts] [Reporter] Mr. President, we are aboard the plane on our way to New York. You have concluded your visit to Washington. What did you wish to accomplish and what have you really accomplished through this visit?

[Iliescu] I would like to stress the fact that this visit had several components. Primarily, the visit was the result of the invitation that I received to attend the ceremonies linked to the opening of the Washington Holocaust Museum, which coincided with the 50th anniversary of the Warsaw Ghetto uprising and thus acquired a greater scope and became a first rate international political event, which enjoyed the particular attention of the U.S. Administration. [passage omitted]

[Reporter] We have reported extensively on all your activities in Washington, including details provided by the Romanian and U.S. sides and by International organizations. You mentioned that there was a mutual wish to continue cooperation. Did the President or the vice president mention their wish to achieve a greater openness in their relations with Romania?

[Iliescu] They did, specifically, both the President and the vice president. Romania's political wishes—to mark the opening of broad relations with the United States and to have the United States ensure a privileged character to these relations—were expressed. There are two aspects to be noted here: our interest in consolidating our internal stability and the political stability in our area and the importance of developing our relations with the Unites States in order to reach this goal. To this one could add our interest in developing bilateral economic relations—taking into consideration the difficulties of this transition period. In this, we received a very unequivocal and clear answer on the interests of the United States in achieving this openness and thus consolidating relations between our countries both on political and economic levels.

[Reporter] Certainly, the fact that this has been a private, and not an official, visit perhaps demonstrates the perpetuation of an unsatisfactory situation as far as Romanian-U.S. relations are concerned. Does this mean that you hope that, next time, you will come on an official visit to Washington?

[Iliescu] First of all, I have my reserves concerning the statements made by you and other journalists, regarding the "private" nature of my visit. This was not a private visit. I did not come as a private person, as a certain Romanian citizen called Iliescu, to pay a private visit, as a tourist, to the United States. I was here in an official basis and took part in a sponsored event that was promoted by the U.S. Government and that became, as I have already mentioned, an international political event. I and the other heads of state came here in our capacity as heads of state and were received with the honors granted to heads of states, not only by the organizers of the ceremonies linked to the Holocaust but also by the U.S. Government, the U.S. President, the State Department, and, in an important discussion, the vice president of the United States. Thus, we cannot talk about a private visit.

[Reporter] The difference is between a nonofficial visit, paid upon the invitation of an organization that does not belong to the U.S. Government, and an official visit upon the invitation of the President of the United States.

[Iliescu] You are referring to a visit of a head of state upon the invitation of another head of state, a bilateral action between two countries. Certainly. Still we are not talking about a private visit but about an official framework in which it takes place.

[Reporter] As you have already mentioned, you came to Washington with the specific goal of participating in the

opening of the Holocaust Memorial Museum. I know that in your talks with officials at Congress they mentioned the presence in the parliamentary majority supporting the current Romanian Government of certain groups that manipulate the promotion of a violent anti—semitic and chauvinistic policy. What did you tell them?

[Iliescu] The political circumstances in one country or another are determined by the change that occurs in relations of forces in the political life of the country. This is not the component that defines the official policy promoted by Romania today. Various extremist tendencies are present in all the Eastern, Southern, or Western European countries. You can find extremist forces in the United States, too.

[Reporter] I heard you say often, in public meetings that you held in Washington this year, that 1993 is the most difficult year. We are only a few days away from a stage of price liberalization coming into force with the well known consequences. Could you explain, to our listeners, why such measures are necessary and why people should endure them?

[Iliescu] First of all, in connection with the assessment that this is the most difficult year, I can say that, indeed, from the point of view of economic situation, it is the most difficult year because it accumulates the consequences and the effects of a process of decline in economic activity—mainly the decline of industrial and agricultural production—in the past three years. This is connected with all the transformations that have occurred in our country through the dissolution of the old structures and mechanisms of a centralized economy and the process of transition to a market economy. [passage omitted]

[Reporter] I do not want to conclude this interview without asking you another question. I want to ask you about the group of journalists who accompany you and who represent only a section of the Romanian press, while those of another large part of it—such as the newspapers EVENIMENTUL ZILEI, COTIDIANUL, and ROMANIA MARE—are completely absent. We were told that you did not invited them to come to Washington with you on the presidential plane. Why? This gives the impression that you wanted only journalists who could give a favorable image of the visit.

[Iliescu] This is a somewhat incomplete assessment. First of all, the press group, in a fatalistic way, was very limited this time. In fact there are over one thousand publications in Romania. We will never be able to invite the entire Romanian press in order to cover the entire spectrum. You see, each person believes that he is important.

[Reporter] I was talking about the largest newspapers.

[Iliescu] Not only the central press is important. There are local papers that are more important than central press as far as circulation and popularity are concerned. Thus, we will never be able to cover the entire spectrum. On the other hand, here the group was limited by accreditation possibilities. As you could see for yourself, even this very small group, in which only about seven publications were represented, could not attend all the ceremonies. This has no connection with our will or our wish. It is connected with the fact that the organizers had to limit press access, even of the American press, to the ceremonies. As you could see for yourself, only the official White House photo reporter was admitted to some of the meetings. No other representative of a domestic or international publication had access to those meetings. Thus, it happened that we had to take a small group—even this one had access to all events with difficulty—and the composition of the group was not at all unilateral from a political point of view. You cannot say that the newspapers ORA, LIBERTATEA, or ADEVARUL represent a supportative section of the Romanian press. Almost all the papers present in this group—the CURIERUL [NATIONAL] and the CRONICA—are balanced papers without having a supporting position. Therefore, I believe that your remark is not altogether justified. [passage omitted]

Negritoiu Comments on IMF Requirements

AU0605082293 Bucharest ROMPRES in English 0737 GMT 6 May 93

[Text] Bucharest ROMPRES, 6/5/1993—The International Monetary Fund [IMF] will further support Romania, says Misu Negritoiu, minister of state, chairman of the Council of Economic Coordination and Strategy, in an interview with CRONICA ROMANA.

The international financial support, the state minister points out, is conditioned by two factors: the formation of the budget and the evolution of the currency market that should secure the course toward a market economy. In this sense, he mentions, the Romanian Government is decided to pay utmost heed to the specific mechanisms of the period of transition that should secure the attainment of the set target and come up in due time with the fit technical solutions for the performance criteria recommended by the international banks, so that our negotiations with them may yield the expected results.

The IMF agreements provide for the transfer soon of $200-300 million to Romania, which is to be set at the economic agents' [companies'] disposal as hard currency reserve. "What is important is that we should seriously commit ourselves to the completion of the socio-economic reform projects proposed under the government program strategy, so that the effects may show of the process of restructuring, as well as the advantages of privatization, and on this basis we should secure the economic de-blocking", Negritoiu concludes.

Iliescu Meets With Belarusian President

AU0605162293 Bucharest ROMPRES in English 1454 GMT 6 May 93

[Text] Bucharest ROMPRES 6/5/1993—In a statement for the press at the close of the official talks the Romanian and the Belarus delegations had held in the Union

Hall of the Cotroceni Palace, Romania's President Ion Iliescu assessed that the two countries had established summit level contacts in a rather short interval, which bears proof to the two countries' political will to develop bilateral ties in close relation with their geopolitical location: "We are living in a troubled area where our countries maintain a certain political stability."

President Iliescu also noted that "the similitude of the processes and hardships our countries encounter make the two states seek to develop their bilateral relations at a time of political, economic and social change."

The president of Romania mentioned also that as far as the Romania-Belarus cooperation in international affairs was concerned it had always been smooth, aided by the fact that "there are no issues in dispute between them," which comes as a positive element in "defining fundamental joint interests."

Government, Trade Unions Sign Protocol

AU0605190093 Bucharest Radio Romania Network in Romanian 1700 GMT 6 May 93

[Text] A short time ago, our reporter—without being able to quote official sources—informed us that the protocol that was concluded yesterday following negotiations between government representatives and trade unions, and that was finalized this afternoon, was signed both by the government and trade union confederation representatives, with the exception of the National Trade Union Bloc [BNS].

A few minutes ago, we received the following communique:

Following the accord cited in the said protocol, the National Confederation of Free Trade Unions of Romania [CNSLR], the Alfa Cartel Trade Union Confederation, the Univers Trade Union Confederation, and the CERES Confederation of Agricultural and Food Industry Workers announce that they suspend the labor conflict launched by these trade union organizations.

At 1920 [1620 GMT] the National Trade Union Bloc [BNS] sent us a faxed message, which emphasizes that during the extraordinary meeting of the Executive Bureau, which was also attended by leaders of the member federations, it was decided not to sign the protocol proposed by the government to solve the demands that form the subject of the labor conflict and, implicitly, to continue the strikes.

The BNS continues to be open to negotiations.

Statistics Bureau Issues Economic Report

AU0605120493 Bucharest ROMPRES in English 0848 GMT 6 May 93

[Text] Bucharest ROMPRES, 6/5/1993—The industrial production of the Republic of Moldova was in 1992, 78.3 percent of that of the previous year, but the decline was almost stopped towards the end of the year, says the public information statistics bulletin of that country, quoted by "TRIBUNA ECONOMICA," put out in Romania. The cement production dropped by 61 percent in 1993 on 1992, that of engines by 58 percent, prefabs 46 percent, and energy 14 percent. The agricultural machinery production was about three-fold lower in 1992 than in 1991. Construction reported in 1992 the lowest pace in ten years. Haulage showed a 52 percent decline in 1992 as against the previous year.

The 1990 crisis of "the agro-industrial complex" of the Republic of Moldova turned worse in the two years that followed, so that the aggregate output was 18 percent lower in 1992 as against 1990. That was due not only to weather conditions, but also to a diminution of crop lands and of animal breeding. The state bought 35 percent less grain from the domestic production than in 1991.

The same source mentions that the sums allotted in 1992 for consumption were more than 7.5 times higher than in 1991.

Government Demands Urgent UNSC Session

LD0605214993 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 2000 GMT 6 May 93

[Text] In connection with the current situation in our country, the Bosnia-Herzegovina Government has sent a letter containing a demand to the UN Security Council to convene an urgent extraordinary session.

Appreciating all activities which the United Nations has embarked on so far and particularly the Vance-Owen plan, and proceeding from the fact that all possibilities for peaceful persuasion of the aggressor side have been exhausted, the Bosnia-Herzegovina Government demands that the UN Security Council immediately make a decision:

First, and in line with Article 42 of the UN Charter, to authorize NATO forces to immediately and without prior ultimatum to neutralize the aggression against Bosnia-Herzegovina with all means at their disposal.

Second, to lift the arms embargo on the Republic of Bosnia-Herzegovina in line with UN Security Council Resolution 713, and to arm the legitimate authorities of the Republic of Bosnia-Herzegovina which have been protecting the integrity of the independent and sovereign state of Bosnia-Herzegovina.

Third, to deploy UN Protection Force [UNPROFOR] troops along the borders of the Republic of Bosnia-Herzegovina.

Fourth, UNPROFOR to take over responsibility for the protection of the civilian population of Zepa, Gorazde, Brcko, Gradacac, Olovo, and Maglaj.

Fifth, to deliver humanitarian aid to all parts of the republic by all means including the use of military force, particularly to besieged areas, the letter sent by the Bosnia-Herzegovina Government to the UN Security Council says in conclusion.

UN Proclaims Bosnian Muslim Enclaves Protected Zones

LD0705030193 Belgrade TANJUG in English 0004 GMT 7 May 93

[Text] New York, May 6 (TANJUG)—The United Nations Security Council on Thursday evening proclaimed the Bosnian Moslem enclaves of Sarajevo, Tuzla, Zepa, Gorazde and Bihac "security zones" under U.N. protection.

The Security Council unanimously adopted a resolution demanding that attacks on these towns in the former Yugoslav Republic of Bosnia-Herzegovina should stop and that the Bosnian Serb forces should withdraw to a safe distance.

The council also demanded that the U.N. Protection Force (UNPROFOR) for former Yugoslavia and international humanitarian agencies be secured safe access to those areas.

UNPROFOR was ordered to send another 50 military observers to the "security zones."

The council also announced additional measures to be implemented if any of the sides to the conflict refused to abide by the resolution on "security zones," which will be in force until the implementation of the plan for Bosnia-Herzegovina.

Karadzic on Serb Parliament Decision on Peace Plan

Defends Decision

LD0705111393 London BBC Television Network in English 2230 GMT 06 May 93

[Interview with Bosnian Serb leader Radovan Karadzic by announcer Sue Cameron; Karadzic speaks by telephone from Pale, Bosnia-Herzegovina; from the "Newsnight" program—live]

[Text] [Cameron] Mr. Karadzic, will the blockade force the Bosnian Serbs to agree to peace?

[Karadzic] Well, actually not. As a matter of fact, Serbian population in Bosnia-Herzegovina are in desperate position. They can't accept this plan and they can't reject it, but they finally decided to reject it unless Serbian people at the referendum decide different, because this plan is really, really bad. Someone should realize finally that this plan is not viable because Moslems and Croats who have undersigned it, they have been allies before signature, now they are enemies and they are fighting for territory.

[Cameron] How much impact though do you think the blockade is going to have?

[Karadzic] Well we had a full blockade during four years of fight against Austro-Hungary, or four years of fight against Hitler's Germany. Nobody helped us but we managed to fight for four years and finally to save our people.

[Cameron] How long do you think the Bosnian Serbs can go on defying the whole of the rest of the world?

[Karadzic] Well, we are not resisting, we are not against the whole world, the whole world is against us. I have heard that you said that we may grab land; we are not going to take Zepa or Goradze, or any single Moslem village. We want only to be quiet and to wait for political solution. We are ready to stop any fight immediately, and we are not against the world, the world is against us, denying our right for self-determination. What we ask is only what is only what Slovenians, Croats, and Moslems have already been given and recognized.

[Cameron] Mr. Karadzic, thank you very much indeed.

Says Plan 'Unrealistic'

LD0705101993 Belgrade TANJUG in English 0935 GMT 7 May 93

["Pool" item]

[Text] Belgrade, May 7 (TANJUG)—Bosnian Serb leader Radovan Karadzic has said the decisions by the Yugoslav and Serbian Governments to suspend all forms of aid, except for food and medicine, for the Serbs in Bosnia will not make them accept the Vance-Owen peace plan.

In an interview to the British Broadcasting Corporation (BBC) on Thursday evening, Karadzic described as unrealistic the plan drawn up by co-chairmen of the conference on the former Yugoslavia Cyrus Vance and Lord Owen.

The governments of the F.R. Yugoslavia and Serbia decided on Thursday to send only humanitarian aid to the Serbs in Bosnia and give refuge to those fleeing there.

The Bosnian Serb parliament's session on May 5 and 6 was attended by the presidents of Yugoslavia, Serbia and Montenegro who appealed on the MPs to accept the Vance-Owen plan, saying the plan created conditions for peace and equal status of Serbs in Bosnia.

The parliament did not accept the suggestion and decided to call a referendum for mid-May for the people to decide on the issue.

In late April, the U.N. Security Council tightened sanctions, imposed on the F.R. Yugoslavia late last May, because of allegedly not putting strong enough pressure on the Serbs in Bosnia to accept the peace plan.

The sanctions have totally exhausted Yugoslavia's economy and plunged most of the Yugoslavs to the edge of poverity.

Karadzic told the BBC that the Serbs in Bosnia were in a hopeless position and that a final decision on the plan would be made in the referendum.

He said the Bosnian Serbs had always survived blockades, including the German one in World War Two when they managed to fight and save themselves without anyone's assistance, Karadzic added.

Asked how long could Bosnian Serbs defy the rest of the world, Karadzic said his people did not defy the world, but the world was against them.

Mladic Defends Decision To Reject Vance-Owen

LD0705104793 Belgrade TANJUG in English 0955 GMT 7 May 93

[Text] Belgrade, May 7 (TANJUG)—The commander of the army of the Serbian republic in Bosnia-Herzegovina (VRS), General Ratko Mladic, has said that the decision of the parliament of Bosnian Serbs to have the people decide in a referendum whether to accept or reject the Vance-Owen plan for Bosnia-Herzegovina was taken "primarily acknowledging the lives given by Bosnian Serbs for freedom."

Gen. Mladic said in an interview published in the Belgrade daily VECERNJE NOVOSTI on Friday that a different decision by the parliament of the Serbian republic in Bosnia-Herzegovina (SR) would not have influenced the West to change its "infernal plan—attempt to disunite the Greek Orthodox world, and even destroy it."

Gen. Mladic said that the latest decision of the RS parliament was "one of the decisive" decisions taken in the war in Bosnia-Herzegovina. He said he hoped "it will be the last difficult decision and peace will come about."

The VRS commander said that the Vance-Owen map for the division of Bosnia-Herzegovina into ten provinces was identical as a map published 23 years ago in a book written by a historian living in Vitez, a town in central Bosnia with a mixed Muslim-Croatian population.

"I showed the map to cochairmen of the conference on the former Yugoslavia Cyrus Vance and Lord Owen during the Geneva talks and asked them whose map was authentic," Gen. Mladic said. The VRS commander said it was clear that the "maps offered to Bosnian Serbs as an allegedly peaceful solution were tailored long ago and come from the same pot."

The RS assembly on Thursday failed to lend support to the Vance-Owen peace plan, which was initialled by RS President Radovan Karadzic in Athens on May 2, and confirmed the decision it had taken at the previous session that Bosnian Serbs vote on the plan in a referendum on May 15 and 16.

Bosnian Serbs insist that the Vance-Owen maps are detrimental to them.

According to the Vance-Owen maps, Serbs, the second largest people in Bosnia-Herzegovina (32 percent of the population), would get only a fifth of the natural resources and industrial facilities and only 43 percent of the territory, although they legally own 64 percent of the land. Moreover, nearly a half of Bosnian Serbs would have to live in non-Serbian provinces and would have no land links with the Republic of Serbia, their land of ancestry.

General Opposes All Deals for Division of Serb Lands

AU0605153293 Belgrade Radio Beograd Network in Serbo-Croatian 1300 GMT 6 May 93

[Jelena Dabarcic report from Bileca]

[Text] Today, St. George's Day, the fourth generation of young soldiers of the Herzegovina corps in Bileca in the

presence of their families swore to defend the freedom, sovereignty, territory, independence, and the constitutional order of the Serbian republic with their honor and their lives.

The ceremony was also attended by representatives of the communes of Serbian Herzegovina and the Serbian Orthodox church. Congratulating the young soldiers on swearing their oath, the commander of the Herzegovina corps, Major General Radovan Grubac emphasized that the fighters and the people of Herzegovina are opposed to all deals that would alienate any part of the Serbian lands. General Grubac further stated:

[Begin Grubac recording] The entire world knows today that the Croats and the Muslims signed the Vance-Owen plan dividing former Bosna-Herzegovina into 10 provinces. However, nobody wants to see that they have fought to the death precisely because of this division, which they, also, do not find suitable. [end recording]

Foreign Ministry on Serb 'Attempt To Buy Time'

AU0605161393 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1300 GMT 6 May 93

[Text] Reacting to the rejection of the peace plan in Pale, the Foreign Ministry of Bosnia-Herzegovina estimates that this is yet another of the aggressor's war maneuvers, calculated to maintain the status quo. The delegating of the decision on peace to the people, regardless of the practical impossibility of holding the referendum and regardless of its outcome, is an attempt to transfer responsibility for the war, the crimes, the genocide, the destruction, onto the people, who were neither asked nor had any say in the matter. In other words, the agony of Bosnia-Herzegovina continues, because it is the only state of affairs in which the criminals still believe that they have a chance.

However, we are convinced that the international community will immediately see through the aggressor's attempt to buy time, during which they would use their superior forces to conclude their war operations in northern and eastern Bosnia, and in Sarajevo. At the same time, we must stress that the delay in implementing the Vance-Owen plan suits those forces that are trying to complete the ethnic cleansing of areas of central Bosnia-Herzegovina. Because of all this, we conclude that the UN Security Council and all the other organizations that are engaged in efforts to stop the war in Bosnia-Herzegovina, primarily the United States, the WEU, and the Russian Federation, will see that conditions are ripe not only for implementing Resolution 820, but also for the immediate undertaking of measures stipulated in Chapter 7, and in Articles (?42) and 51 of the UN Charter. As far as we know, all the details have already been worked out.

As regards the top leadership of the so-called Yugoslavia, i.e. Serbia and Montenegro, distancing itself from the Chetnik leadership, as expressed at both the beginning and the end of the Pale assembly, we have to doubt their sincerity. [words indistinct] will be just ink on paper for as long as this is not accompanied by very concrete measures, such as the withdrawal of arms and the commanders of the former Yugoslav People's Army, the closing of borders with Bosnia-Herzegovina, and the handing over of control of the borders to the United Nations Protection Forces [UNPROFOR].

These actions should be expected soon, because the leaders of those neighboring countries have now explicitly confirmed their unreserved participation in the aggression against Bosnia-Herzegovina. On the whole, we have concluded that the answer to the aggressor's inconsistency in the initiated peace process is a consistent and rapid implementation of counter measures that have been prepared and announced by the international community, said Miroslav (?Jankic), spokesman of the Foreign Ministry of Bosnia-Herzegovina.

Churkin: Referendum Outcome of 'Extreme Importance'

LD0705003793 Belgrade TANJUG in English 2329 GMT 6 May 93

[Text] Belgrade, May 6 (TANJUG)—Vitaliy Churkin, the special envoy of the Russian president who arrived in Belgrade on Thursday evening, said that Russia maintains that the next ten days will be decisive for the resolving of the Bosnian crisis.

The Bosnian Serb parliament concluded early on Thursday morning to put it to the people to decide about accepting or rejecting the Vance-Owen peace plan at a referendum on May 15 and 16.

Churkin, and evidently, official Moscow, maintain that these ten days should finally bring the Bosnian Serb decision.

After talks with Yugoslav President Dobrica Cosic late this evening, Churkin told reporters that he and Cosic had agreed that a positive outcome of the Bosnian Serb referendum would be of extreme importance.

Churkin said that the Vance-Owen plan at this minute was the only basis for peace in former Bosnia-Herzegovina. All those who wish peace must recognize this fact, Churkin underscored.

Churkin said that he would meet on Friday with Serbian President Slobodan Milosevic, leaders of Bosnian Serbs, and the two co-chairmen of the Conference on Former Yugoslavia Lord Owen and Thorvald Stohltenberg, who are expected to arrive in Belgrade tomorrow.

Special advisor to the Yugoslav president Svetozar Stojanovic told reporters the president's stand at the talks with Churkin. He said that the president believed that it would be very dangerous to take any hasty actions and that the only solution for resolving the Bosnian crisis was peace on the grounds of the Vance-Owen plan.

General: West Seeks 'Annihilation' of Orthodox World

LD0605201493 Belgrade TANJUG Domestic Service in Serbo-Croatian 1808 GMT 6 May 93

[Text] Belgrade, 6 May (TANJUG)—Commander of the army of the Serb republic [in Bosnia-Herzegovina] General Ratko Mladic said in an exclusive interview for tomorrow's issue of VECERNJE NOVOSTI that the Pale decision was a crucial one, while he described his address to the assembly of the Serb republic as a call for prudence, not for war.

Mladic stated that the Pale decision "was not the most difficult one, nor the first difficult decision, but I would like it to be the last difficult decision and that peace prevails as soon as possible."

Insisting on the fact that graves from the latest war cannot be obliterated, Mladic said that regardless of what the world and our neighbors think of it, "we have to respect our victims."

Mladic said that in his address he pointed to the fact that "whatever we have achieved so far is the result of the centuries-long craving of the Serb people to be united."

"I said that so far we have successfully defended our people. Now we are defending it from our neighbors, and who knows who from we shall have to defend it tomorrow."

Explaining that the deputies, and particularly the three presidents and Prime Minister Mitsotakis, were shown a map drawn up by an historian from Vitez which is identical to the Vance-Owen map, Mladic stressed that "this is a confirmation that the maps which are now being offered as an alleged peace settlement were drawn up long time ago and that they are the product of the same kitchen."

This all started much earlier, back in 1970, when a book containing the map was published, Mladic said stressing that "we cannot watch calmly while the Serb elderly and infirm are being massacred in our neighborhood. We cannot watch for we are the same people."

Asked whether a different decision by deputies would have influenced the Western overlords and the international community to change the plan, Mladic replied: "I do not think so.... What is at work here is an attempt to disunite the Orthodox world, including its final annihilation. Irrespective of what we had decided the West would have realized its infernal plan.

"There are quite a few examples, the freshest one is Srebrenica, where the West has been deploying its forces allegedly in an attempt to settle the conflict peacefully, while in reality they have been salvaging Muslims who have militarily been totally defeated... I think that very soon Russia is going to become the main target, prior to that these will be Sandzak and Kosovo."

Report on Serb Crimes Against Civilians

AU0605163093 Paris AFP in English 1614 GMT 6 May 93

[Text] Geneva, May 6 (AFP)—Serb fighters gunned down Moslems in cold blood as they fled from their homes in the eastern Bosnian enclave of Cerska, according to a report into human rights in Bosnia released Thursday [6 May].

The report, released by the Human Rights Commission Special Rapporteur Tadeusz Mazowiecki, also detailed cases of children starving and amputations carried out using household tools.

Mazowiecki, releasing accounts of alleged human rights violations in the war-torn republic compiled by a team of experts last month, called for safe zones similar to that set up around Srebrenica to be immediately imposed in the enclaves of Gorazde and Zepa.

The report, put together from April 1-16 and focussing in particular on the enclaves of Cerska and Konjevic Polje, said such zones were needed to prevent a repetition of the events described in his report.

In an extensive list of alleged violations, the report detailed one incident last summer when refugees fleeing Cerska were surrounded and attacked by Serb forces, including planes, at Balkovic, after struggling for two days toward the town of Kalesijce.

The refugees were just 20 minutes from their destination when the attack occurred, the report said. One of the survivors quoted by the reports said there were "bullets flying everywhere."

About 150 people were killed in the ambush, while those who did not flee into the woods were taken prisoner by the Serbs, the report said. Survivors were still arriving back in Cerska 15 days later, the report said.

In a separate reported incident, eyewitness accounts said thousands of Moslems fleeing Cerska, which fell to the Serbs at the start of March, were ambushed by Serbian fighters with machineguns as they fled.

In a section on the enclave of Konjevic Polje, the report said there was widespread panic when U.N. Protection Force troops left the town, and a large number of the inhabitants left on foot trying to reach Srebrenica.

But, as in Cerska, they were attacked as they fled. "The crowd was so huge that you couldn't see the end of the people," one survivor told the monitors.

"There was shelling from everywhere. It was incredible, a shell would fall behind you and members of the same family would leave their child on the road and take care of the other children once they were sure that the other child was dead."

The report also detailed allegations that children were starving in the region, and one incident told of an

amputation being carried out with a saw. Medical equipment was described as "medieval."

In another incident, a Serb shelling of Konjevic Polje left an unknown number of people maimed and "several children decapitated," according to the report.

In a concluding paragraph, the report said: "There is a deep humanitarian crisis in eastern Bosnia and Herzegovina. The lives and health of the tens of thousands of displaced people in the area, as well as of local inhabitants, are endangered.

"The international community has not responded adequately to the UNHCR/WFP (U.N. High Commissioner for Refugees/World Food Programme) appeals for funds to cover the survial needs of those in need of humanitarian assistance in the former Yugoslavia."

Bosnian Serb Army Claims Only Muslims Receiving Aid

LD0605155293 Belgrade TANJUG in English 1504 GMT 6 May 93

[Text] Pale, May 6 (TANJUG)—The Bosnian Serb Army Supreme Command on Thursday strongly protested with the International Committee of the Red Cross (I.C.R.C.) against an unequal distribution of humanitarian aid to the people in former Bosnia-Herzegovina, insisting that aid is being sent only to the Moslems, as though the Serbs were not hungry. The Army command quoted the I.C.R.C.'s list of aid distributed through its offices to the Bosnian Serb Republic in the period from (?January) 1 through May 3 per municipality per month. In the four months, the Bosnian Serb Republic received 2,820 tons of humanitarian assistance, whereas the Moslems received 5,120 tons of supplies in the airdrop operation alone, chiefly in the area along the River Drina (eastern Bosnia), said the Army command in its protest. The assistance delivered to the Moslems in eastern Bosnia from the air alone is nearly twice the volume of that sent to the whole of the Bosnian Serb Republic. The Moslems received aid also by land, and that tens of times the volume received by the Serbs. This is known for a fact, because all the humanitarian convoys passed through Serb-controlled territories, the protest note said. "Does this mean that the Serb are less, or that much less hungry, cold, sick. Or do you consider them that much more resistant. Or is it the same attitude adopted to the infants that died in the Banja Luka maternity hospital through lack of oxygen. You know what this means. We can see what the attitude is from the figures. That is why we are protesting. Unfortunately, there is nothing else we can do," said the protest note. The statistical analysis shows whether or not the "the people in the territory of former Bosnia-Herzegovina are being treated equally and without bias, regardless of their religion or nationality," as the I.C.R.C. officials are wont to say, the Bosnian Serb Army Supreme Command said its its protest note.

Heavy Croatian-Muslim Clashes Near Mostar

LD0705094493 Belgrade TANJUG Domestic Service in Serbo-Croatian 0850 GMT 7 May 93

[Text] Bileca, 7 May (TANJUG)—Clashes between Croatian Defense Council [HVO] members and Muslim forces in the Neretva valley continued overnight. Serb military sources reported particularly heavy fighting in Mostar's northern zone where powerful explosions were heard in the night. Battles were waged in Mostar's Zalik district and in the villages of Vrapcici and Bijelo Polje.

Serb military sources claimed that the Croatian and Muslim armies also engaged in armed combats in Domanovici and Pijesci—a border area between the Mostar and Stolac municipalities.

The Croatian armed forces and the HVO units are using all means available to establish control of the Mostar-Jablanica-Konjic route to try and help the Croatian people who are encircled on Konjic municipality territory.

Muslim Units Continue Actions Against UNPROFOR, HVO

LD0605162293 Zagreb Radio Croatia Network in Serbo-Croatian 1300 GMT 6 May 93

[Report by Slavko Rako]

[Text] Mostar—According to the Southeastern Herzegovina Corps Zone Command, yesterday evening, as a five-vehicle UN Protection Force [UNPROFOR] convoy was returning from Jablanica, members of Muslim units opened fire on the Bijela bridge, wounding three European observers. The same source says that members of the observer mission have confirmed this report.

According to the Croatian Defense Council [HVO] defense department, the security situation has deteriorated in Bugojno and Gornji Vakuf. In Bugojno, Muslim forces tried to take down a Herceg-Bosna flag from a house. There has been a concentration of fresh Muslim forces between Bugojno and Gornji Vakuf. Miro Andric, an HVO colonel, and his entourage, were disarmed in the area of (Rostovo), which is in the hands of mojahedin forces. They were released after several hours but their two vehicles and all their weapons and equipment were seized.

There have been no new reports from Konjic and Klisa during the morning. Late last night General Milivoj Petkovic, commander of the HVO General Staff, returned from his tour of the area. Again yesterday he was refused permission to visit besieged and destroyed Croatian villages in which a large number of wounded and civilians are trapped.

Muslim formations attacked these areas again last night after the departure of the UNPROFOR convoy, Gen. Petkovic said, and went on to add:

[Begin Petkovic recording] The Croat population in the besieged areas must persevere and resist all pressures. Let those who have been expelled from their homes know that we will do our utmost to bring them out from there and, I must tell you that if the situation continues in the same way, we will react in the only sensible way to help these people; in other words, we will have to undertake certain offensive activities and establish links with at least the larger Croatian enclaves in the area. [end recording]

Mostar Serbs: Croat Forces Enforce Ethnic Cleansing

LD0605162893 Belgrade TANJUG in English 1149 GMT 6 May 93

[Text] Belgrade, May 6 (TANJUG)—Bosnian Croat armed forces in Herzegovina are carrying out ethnic cleansing of Serbs as well as other nationalities related to the Serbs, said 13 Serb residents of Mostar who were expelled from the town without money and property.

GLAS, the newspaper of the world Serb community, in its latest issue quoted Milenko Bejat (61)—one of the 13 witnesses—as saying the Croats in Mostar (a Herzegovina town partly controlled by Croats) were carrying out the most brutal methods of ethnic cleansing of Serbs.

Milenko and his wife Dusanka (54), who survived the torture in a Mostar prison, said persecution of Serbs in Mostar began in summer last year, immediately after Croat and Moslem extremists planted a bomb in the "northern camp" barracks.

"Serbs were immediately driven to the left bank of Neretva, the river which flows through the town, and then towards the Serb-held eastern Herzegovina," Milenko added. He said he remained on the right bank of the river, counting on his political non-involvement.

"For my family, the tragedy started on August 24 when three members of the notorious H.O.S. broke into our house. That was the 16th intrusion into my house by either Croat or Moslem paramilitary groups, but these three men were the worst and immediately began to beat me with clubs," Milenko said.

H.O.S. is a military formation of the neo-nazi Croatian Party of Rights (HSP) which, together with regular armed forces of the Republic of Croatia, controls the western part of Herzegovina.

Milenko Bejat, his wife and mother-in-law (81) who helplessly watched the HOS members looting their home—taking money, family jewelry, household appliances and even their car parked in front of the house—were then taken to prison, the newspaper wrote.

"In the prison, they were beating me on my ribs, stomach and head, and throwing cold water on me when I collapsed. At the same time, I heard my wife screaming next door," Milenko said. "After the torture in prison, we were one day moved to the Dretelj camp for Serbs.

"The consequences of torture were broken ribs and injuries to kidneys, so that I had to undergo hospital treatment," Milenko says.

In January and February this year, Milenko Bejat was detained twice only because he is a Serb, the newspaper said.

On February 5 this year, the Bejat couple were again arrested, but this time together with Dusanka's mother, a cardiac patient, who was not allowed even to take their medicine with her.

"With another 11 citizens of Mostar (aged between 55 and 66), we were transported in a station wagon to Stolac—on the very frontline. We were given a stick with a white cloth on it and forced to run through a minefield towards Serb positions," told Milenko.

"Two women—Biljana Borozan (a Jew) and Elvira Savic (a Moslem)—both married to Serbs—did not want to do what they were ordered. After being threatened, they ran in panic and stepped on mines. Biljana Borozan died, while Elvira was wounded. My mother-in-law was also wounded in leg by Croat bullets..." Milenko said.

"When we finally reached the Serb side and recovered a little, we gave statements to E.C. and UNPROFOR representatives, and to reporters from Novi Sad," Milenko said.

The Bejats told GLAS they now lived as refugees in Belgrade. They said they had to leave back all their property, including a 98-square meter apartment and a summer residence with a 500-square meter lawn.

Kalesija, Tuzla Attacked by Mortars, Artillery

AU0705105293 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1000 GMT 7 May 93

[Enes Osmancevic report from Tuzla]

[Excerpt] The Chetniks from [names indistinct] showered Kalesija and the surrounding villages—Biljanovci, Rajinci, Tojsici, and Medjas—with dozens of destructible projectiles at about 0530 [0330 GMT] this morning. At the same time they started a mortar and light arms attack on the east part of the defense in this region. The attack was repelled with effective fire. According to initial information, there are no wounded. While we are reporting there is a lull.

The Tuzla defense lines have been subjected to fierce attacks by Chetnik artillery and mortars since early this morning. Infantry attacks were also launched, but without success because our fighters responded fiercely. Eleven Chetniks were killed. A certain amount of infantry weapons and ammunition was captured. [passage omitted]

Update on Zepa: Attacks Intensifying

40,000 People 'Surrounded'

AU0605142593 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1300 GMT 6 May 93

[Zepa Press Center report]

[Text] Armored-mechanized infantry attacks on Zepa from the direction of Han Pijesak are intensifying. The unarmed defenders are putting up superhuman resistance. Hand-to-hand combat is in progress four kilometers from Zepa. The population has fled. So far 134 people have been reported dead, a great number of whom are children, while over [words indistinct] wounded. We lack ammunition and other resources in order to resist the blood-sucking, criminal conquest and defend the unarmed civilians. We repeat that the lives of 40,000 people, currently surrounded, are at stake. We appeal to the United Nations Protection Forces [UNPROFOR] to urgently send an observers' mission which would have life-saving importance for this region.

Serbs Advance to Within 1 Mile

AU0705103893 Paris AFP in English 1023 GMT 7 May 93

[Text] Sarajevo, May 7 (AFP) - Serb troops besieging the eastern Bosnian enclave of Zepa, declared a "safe haven" by the United Nations, were less than a mile from the Moslem-held town Friday [7 May], a ham radio operator in the region said Friday.

More than 200 of the town's 40,000 inhabitants have died in the fighting since Tuesday and 320 have been injured, said the operator using the code name Fadil. He relayed the information to a fellow ham operator in Sarajevo, Himzo Devedzija.

Fadil said Moslem defenders of thetown have not been able to count all the dead and have not even had time to bury them.

Five U.N. military observers were to try on Friday to reach Zepa, where outgunned Moslem defenders were reported to be battling Serb tanks with petrol bombs.

General Philippe Morillon, head of U.N. Protection Forces (UNPROFOR) in Bosnia, received assurances from Bosnian Serb authorities in Pale Thursday that the observers would be able to reach the town, according to UNPROFOR spokesman Michel Marvie.

The U.N. Security Council unanimously Thursday declared Zepa a safe area along with four other regions besieged by the Serbs—Tuzla, Bihac, Sarajevo and Gorazde. The eastern enclave of Srebrenica was declared a safe area on April 16.

The council vote came after the Bosnian Serbs' self-styled parliament refused to adopt a peace plan for Bosnia and called instead for a referendum on May 15 and 16.

Barry Frewer, the UNPROFOR spokesman in Sarajevo said Morillon would attempt to meet Friday with General Ratko Mladic, the Bosnian Serb military commander, to discuss U.N. access to Zepa.

"We are also now looking at how we might be able to deploy troops into those areas that have been declared safe areas and to set the conditions to allow access there," said Frewer adding that "the priority being Zepa right now."

He said the UNPROFOR was awaiting instructions on how to enforce the Security Council resolution.

Izetbegovic Warns of 'Catastrophe'

LD0605213093 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 2000 GMT 6 May 93

[Text] The war presidency of the municipality of Zepa hereby informs the public that the situation in this area has been extremely dramatic. According to this morning's reports, defense lines near Han Pijesak have been penetrated. In the afternoon we received a report that fierce fighting was in progress at approaches to Zepa.

In connection with the latest aggression against this town, Alija Izetbegovic, president of the Bosnia-Herzegovina Presidency, sent a letter to UN Secretary General Butrus Butrus-Ghali saying:

Dear Mr. Ghali [name as heard],

Over the past few days I have unsuccessfully been trying to obtain support from the world to save the population of Zepa which has been exposed to annihilation. Your military observers were prevented from entering Zepa yesterday. The town was attacked from all sides, and the killing of the civilian population is in progress. At this moment, only urgent action by the United Nations can prevent a complete catastrophe. We expect you to do whatever you can.

A letter with the same content was sent to permanent members of the UN Security Council and to the Venezuelan ambassador to the UN Security Council.

Attacks Detailed

AU0705090093

[Editorial Report] Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian at 0800 GMT on 7 May carries within its regular 13-minute newscast several reports on the war situation in the republic.

According to the War Presidency of the Zepa Commune, "the situation is dramatic. Infantry battles are being waged on lines of the front. For two days our fighters have not had ammunition or any other material-technical means to put up resistance to the Chetnik hordes armed to the teeth. We are mainly fighting with ammunition that has been captured.

"What we know, and these are only approximate figures, are the civilian causalities. Over 200 have been killed. No one is burying them. The hospital is full and is not taking wounded civilians because there are no medicines, bandages, nor anything else for even the most primitive medical assistance. There are about 320 wounded. However, these figures are not accurate because many dead and wounded have not been registered.

"The entire area is being shelled from the direction of Han Pjesak, Boric, and Visegrad. Tanks and howitzers are positioned on the hills around Zepa. They are constantly shelling [words indistinct] and (?unprotected) civilians. The defenders of Zepa say that Chetniks can enter Zepa but cannot stay in it, nor get out of it alive as long as there is a single courageous Zepa defender alive. The Chetniks have had enormous losses in manpower, much greater than us, but they are not interested in that."

According to a Brcko correspondent, "the night on the Brcko front was characterized by intensified artillery fire from Chetnik positions. The aggressor last night stepped up its artillery fire on the central part of the front. Enemy 82-mm mortars attacked the area around Licki Most and Rijeka from Suljagica Sokak and the Lokomotiva soccer stadium."

From Zavidovici a correspondent reports that "the Chetniks were opening fire from heavy machine guns, snipers, and light arms on all Zavidovici fronts almost all day. In the evening, the Chetniks opened fire with artillery. A recoilless gun pounded the general region of Hajdarovici. After 2000 [1800 GMT], the aggressor launched an infantry attacked on Rujnica." The correspondent says the attack was repelled.

From Jablanica a correspondent reports that "the night and this morning were relatively quiet in Jablanica. However, last night, the extremists from the Croatian Defense Council opened mortar and sniper fire on the Jablanica hydro power plant."

According to the Sarajevo Security Center, the enemy was active again this morning. "The most difficult situation is in the Kobilja Glava area, which has been subjected to fire from mortars of all calibers since 0915. Snipers are active on the road between Sarajevo and Vogosca."

Defenders Reduced to 'Molotov Cocktails'

AU0605194793 Paris AFP in English 1933 GMT 6 May 93

[Text] Sarajevo, May 6 (AFP)—Outgunned Moslem defenders of the eastern town of Zepa Thursday were reduced to fighting Serb tanks and armored vehicles with Molotov cocktails, Radio Sarajevo said, citing ham radio operators in the area.

Bosnian forces fought desperately to hold on to the town, one of the few remaining Moslem-held enclaves in eastern Bosnia, as it came under continued artillery attack from Serb troops, the radio said.

A ham radio operator said the enclave's defenders were also reduced to fighting with a few weapons they had captured from Serbs, who were being reinforced by troops from Han Pijesak to the northwest and Borik to the south.

The numbers of dead and wounded from the fighting was high, although precise casualties figures were impossible to obtain, the radio said.

The U.N. Protection Forces in Bosnia said it had no details on the situation in the area around Zepa, saying U.N. military observers had been prevented from reaching the enclave by Serb troops, despite the agreement of Serb politicians, said UNPROFOR spokesman Commander Barry Frewer.

Earlier western military sources had warned against "inflating" news reports on the fighting as the reports may be intentionally "excessive" so as to inspire international reaction.

French General Philippe Morillon, UNPROFOR commander in Bosnia-Herzegovina, Thursday visited the Bosnian Serb headquarters in Pale, just outside Sarajevo, in a bid to get observers into Zepa and secure a cease-fire agreement.

It was unclear late Thursday whether he had succeeded, although Morillon later returned to his headquaters in Croat-controlled Kiseljak for talks on the Zepa situation with Bosnian army chief Sefer Halilovic.

RSK Leaders Back Bosnian Serb Parliament's Decision

LD0605130893 Belgrade TANJUG Domestic Service in Serbo-Croatian 1100 GMT 6 May 93

[Text] Knin, 6 May (TANJUG)—Lieutenant Colonel Dusan Babic, deputy minister of defense of the republic of Serb Krajina [RSK], said in Knin today that by delaying its acceptance of the Vance-Owen plan the assembly of the Serb republic had reacted to the will of the people, and in his view the most correct decision had been made.

He added that a referendum is the most democratic way of expressing people's will and went on to express his belief that those countries which claim to enjoy the highest degree of democracy will respect the will of the Serb nation in the former Yugoslav republic of Bosnia-Herzegovina.

On the same occasion Milan Martic, the RSK minister of internal affairs, said that "the deputies of the Serb republic assembly have passed a decision which they think is best for the Serb people and I respect it." Milan Babic, president of the Serb Democratic Party of Krajina, said that he would have voted in the same way and that "it was puzzling how anyone could expect representatives of the Serb nation to sign their own death warrant."

In his view, the decision must not be allowed to cause a rift between, as he put it, "western and eastern Serbs." He will expect "our brothers from Serbia proper to show understanding and give support to the efforts to resolve the issues of the Serb republic and the RSK in a fair way as a guarantee of the survival of Serbia itself and the Serb nation as a whole."

Government Statement: Serbs 'Playing for Time'

LD0605212593 Zagreb Radio Croatia Network in Serbo-Croatian 1700 GMT 6 May 93

[Text] In a statement for the public, the Croatian Government stresses that it is not surprised by the decisions in Pale. The Serbian aggressor is again trying to delay the final end of the war. It is again playing for time and trying to force fresh political and territorial concessions. The Serbs clearly do not intend to withdraw from the territories they have seized by force and ethnically cleansed. The most serious threats of the international community are not sufficient to stop the extremist Serbian leadership and force it to accept the Vance-Owen plan, the statement adds.

The Government of the Republic of Croatia believes that the international community will demonstrate a clear determination to halt the aggression which has long been committed against two members of the world community, Bosnia-Herzegovina and Croatia. It is right to expect that the international community will act urgently and resolutely with all available means, including military force, in order to halt the greater Serbian aggression, impose the peace plan for Bosnia-Herzegovina, and thereby create conditions for establishing lasting stability and security in this part of Europe, the statement stresses.

RSK Prime Minister Optimistic About Geneva Talks

LD0605191093 Belgrade TANJUG Domestic Service in Serbo-Croatian 1354 GMT 6 May 93

[Text] Knin, 6 May (TANJUG)—In Knin today Djordje Bjegovic, prime minister of the republic of Serb Krajina [RSK], expressed optimism regarding the Geneva negotiations about the enforcement of UN Security Council resolution 802 demanding Croatia's withdrawal of its army to positions held prior to the 22 January aggression. According to Bjegovic, "small steps forward are being made" at these negotiations.

Asked to comment on the decision of the assembly of the Serb republic [in Bosnia-Herzegovina], Bjegovic said that it was up to that assembly what it decided. I belive, he said, that they are responsible people and that they have considered all the consequences of their decision. The RSK government draws its conclusions from the current situation and is analyzing moves appropriate for these difficult times, he said.

Asked by a journalist whether the Serb republic assembly decision could influence relations between Yugoslavia, that is Serbia and Montenegro, on the one hand, and on the other hand the Serb republic, Bjegovic said: "No decision should have an influence on these relations, especially economic ones, because we have a very small common market. We have a common need to find a way out of this situation."

According to him, as far as relations between the RSK and the Serb republic are concerned, the RSK government regards close cooperation with the Serb republic as its priority task.

RSK Gets 'Additional Guarantees' on Withdrawal

LD0605170693 Belgrade TANJUG Domestic Service in Serbo-Croatian 1241 GMT 6 May 93

[Excerpt] Geneva, 6 May (TANJUG)—Goran Hadzic, president of the republic of Serb Krajina [RSK], today received additional guarantees, which he had requested from the international community as a precondition for the RSK assembly's ratification of the cease-fire agreement signed in Geneva on 6 April, TANJUG has learned from well-informed circles close to the cochairmen on the Krajina negotiations.

The sources confirmed that the cochairmen have accepted almost fully the RSK request that Croatia withdraw its army 10 km away from the entire demarcation line and that the UN Protection Force improve the control of the demilitarized area. [passage omitted]

Serbs Claim Obrovac Hit by 'More Than 100 Projectiles'

AU0705122093 Belgrade Radio Beograd Network in Serbo-Croatian 1200 GMT 7 May 93

[Text] Last night, Croatian forces fiercely bombarded Obrovac. For three hours—this is how long the powerful fire from guns, howitzers, and multiple rocket launchers lasted—the town was struck by more than 100 projectiles of the highest caliber. This was reported by the headquarters of the army of the republic of Serbian Krajina. Substantial material damage was caused to [word indistinct]. There is no information on casualties yet.

Tank Shells Damage Zadar Residential District

LD0505214593 Zagreb Radio Croatia Network in English 2105 GMT 5 May 93

[Text] Three tank shells struck a Zadar residential district late this afternoon [5 May]. There were no casualties, but damage has been described as significant.

Health Ministry Issues Latest Casualty Figures

LD0505162293 Zagreb Radio Croatia Network in Serbo-Croatian 1500 GMT 5 May 93

[Summary] Since the aggression was launched against Croatia and until 4 May this year, the Croatian Ministry of Health's Department for Information and Research has registered 6,592 killed and 23,824 wounded people. The number of missing people is about 13,000, the same source states.

Among those killed, more than 2,000 were civilians and about 4,500 were Croatian policemen and soldiers. Among the dead civilians were 92 children, 21 journalists, five health workers, and priests.

Croatian Air Force Commander Interviewed

93BA0966A Zagreb GLOBUS in Serbo-Croatian 9 Apr 93 pp 13-14

[Interview with General Imra Agotic, chief of staff of the Croatian Air Force and Antiair Defense, by Jasna Babic and Davor Butkovic, in his office in the building of the Air Force Command of the Croatian Army; date not given: "Serbia Has Imported Two Squadrons of MiG-29's From Russia!"]

[Text] Along with the Croato-Serbian agreement on withdrawal of Croatian forces from Maslenica, the tighter control over the no-fly zone in Bosnia-Herzegovina [B-H] is certainly the most intriguing political topic over the last two weeks.

Imra Agotic, chief of staff of the Croatian Air Force and Antiair Defense [RV i PVO], is probably the best-informed person in the Republic of Croatia when it comes to flights, aircraft, and peacekeeping forces of the United Nations. Not only because for many years he was an Air Force officer of the former JNA [Yugoslav People's Army] and has been an officer of the Croatian Army [HV] since the first days of the Serbian aggression against Croatia, but also because he is in constant contact with representatives of the UNPROFOR [UN Protection Force].

[GLOBUS] Official UN reports record nearly 500 violations of the no-fly zone over Bosnia and Herzegovina. What kind of violations have these been? Is it true that usually they were not combat planes?

[Agotic] The UNPROFOR does not give precise figures on what kind of flights were involved. Every flight not reported on the territory of Bosnia-Herzegovina, in accordance with the Resolution on the No-Fly Zone, is counted as a violation. According to our figures and analyses, some of the flights of the Serbian Air Force, that is, the air force of so-called Yugoslavia, on the territory of B-H, were by their nature combat flights. If we also include the transport of ammunition and war materiel by Serbian aircraft, we can say that more than 50 percent of those 500 flights had a combat purpose. In the recent past especially, on the territory of Srebrenica.

[GLOBUS] What aircraft have the Serbs been using in combat flights over Bosnia?

[Agotic] We assume that in the eastern parts of Bosnia and Herzegovina the flights were made by Kragujs (Vultures). But a large number of helicopter flights have also been recorded over Banja Luka and eastern Bosnia. There have been relatively few combat flights by jet aircraft, but even they have taken part in combat operations.

[GLOBUS] What are the capabilities of the Serbian aircraft in B-H?

[Agotic] We know that the Serbian Army, that is, Ninkovic's air force, has a certain number of MiG-21's, as well as some Oraos (Eagles) and Jastrebs (Hawks), and their combat capabilities are well-known. They also have several dozen MI 8 helicopters and Gazelle combat helicopters. The Gazelles are usually used to destroy solid objectives with armor-piercing weapons, mainly civilian buildings. They are less used for their specific purpose, which is destruction of armored military targets, because the B-H Army has few armored vehicles. The Gazelles have also been used to destroy bunkers and houses.

[GLOBUS] What impact did the flights of Kragujs in eastern Bosnia have on the fall of eastern Bosnia?

[Agotic] We cannot say that they had an essential impact, but still they should not be underestimated. The Kragujs are light combat planes suitable for concealment from the AWACS as well as from radar systems on the ground. They can fly at low altitudes, they can hide behind a mask, and they can carry a certain number of bombs and guided missiles. They did not cause immense destruction of targets of the B-H Army, but they have a large

psychological impact on the civilian population. That is why they were used in the vicinity of Srebrenica and other surrounded cities in Bosnia and Herzegovina.

[GLOBUS] Reports of UN observers also mention that the Croatian side has violated the flight ban.

[Agotic] We have talked about that several times with observers of the UNPROFOR. There were allegedly about 10 violations on our part. But we agreed that these were medical and humanitarian flights. These flights were not reported in good time at the beginning of implementation of Resolution 781, when the UNPROFOR still had not issued the instruction on the way in which the flights were to be reported. From the moment the resolution began to be applied, specifically from 30 December 1992, the Croatian side has not committed a single violation. There has not been a single flight toward the territory of B-H which has not been reported in advance.

[GLOBUS] The Serbian media have several times published a report that Serbian aircraft from Bosnia have flown into the occupied part of Croatia. Did the Croatian side lodge a protest because of that?

[Agotic] Yes, whenever we recorded it. We have recorded such flights from the territory of the UNPA [UN protected areas], but also from "Yugoslavia." The Tudjman-Cosic agreement dating from October 1992 contains an obligation not to allow mutual violation of airspace, and that also pertains to the occupied part of Croatia.

[GLOBUS] Were those flights of combat or transport planes?

[Agotic] Transport planes and helicopters. The space of Sector East and Sector North has frequently been overflown by Serbian helicopters. We have figures that a month ago Serbian Gazelles were carrying antitank, that is, armor-piercing, missiles as aid to the Serbs in the Lika theater, and they conducted combat operations near Gospic.

[GLOBUS] What is the situation in Sector South?

[Agotic] There is relatively little Serbian combat operations with aircraft in that sector. Aircraft are nevertheless being used to transport military equipment.

[GLOBUS] How do you assess the resolution of the UN Security Council to enforce the no-fly zone over Bosnia, because the penalties for violators are limited only to aircraft in the air and the airfields from which those airplanes take off are not to be targeted?

[Agotic] I think, and my opinion is shared by others who deal with this problem, that that resolution has above all a psychological impact, while there will not be any real military consequences at all for the side which is violating the flight ban—that is, for the Serbian Air Force. The resolution is nevertheless important, because this is one of the first measures showing that the United Nations is determined to become involved in an active military way in resolving the crisis in Bosnia. That has not been the case before.

[GLOBUS] From what airfields have the Yugoslav planes taking part in combat in B-H taken off?

[Agotic] They have taken off from airfields in Podgorica, the air base Berani near Ivangrad, the Uzice airfield, and toward Sector East in Croatia from airfields in Vojvodina.

[GLOBUS] The version of the resolution adopted, then, avoided the possibility of international forces targeting airfields on the territory of so-called Yugoslavia, because the Serbian aircraft violating the flight ban are actually taking off from "Yugoslavia"?

[Agotic] Anyone who knows about aviation thinks that bombing the airfields is really the only way to enforce the decision banning flights over Bosnia and Herzegovina. Given the aircraft which Serbia is using in B-H, the measures which the West is applying have only a psychological impact.

[GLOBUS] Can the international forces beat the Kragujs and Serbian helicopters with their F-16, Tornado, and Sea Harrier planes?

[Agotic] Hardly. It is well-known that there is a great difference in speed between the two groups, so that the large and up-to-date planes like the F-16 can hardly interdict the small Serbian airplanes. It is very difficult to imagine a fight between an F-16 and a Kraguj. But the side that is given the task of stopping the Serbian Kragujs—whether it is NATO or some particular country—will certainly know what to do with those small aircraft. At this moment, as I have said, this is only psychological pressure on Serbia.

Should there be an air battle over B-H, it is certain that the Serbs would use certain other aircraft, for example, the MiG's.

[GLOBUS] What are the chances of the Serbian Armed Forces in such a fight?

[Agotic] None. They have no real chance. Those same aircraft, the Tornadoes and F-16's, intervened over Iraq, and the other side had MiG-21's and -29's. But the MiG's with Iraqi pilots were not effective. That is why the Serbs will probably avoid an outright battle. What is more, Western technology also has much greater capabilities for observing the flights of Serbian aircraft, which is also very important for fights in the air.

[GLOBUS] Can the Serbs continue combat flights of helicopters and aircraft like the Kragujs over Bosnia and Herzegovina?

[Agotic] I think that they will conduct tactical maneuvers. We have certain reports, not verified, it is true, that some of the Serbian planes with poorer characteristics are being transferred from "Yugoslavia" to the territory

of Bosnia. We have learned that some of the airfields held by the Serbs have been upgraded, or new airfields have been built on the territory under their control. They are obviously preparing to create conditions for combat operations even under the new circumstances. The last resolution cannot prevent Serbian combat flights, but can only be the prelude to harsher military measures against the Bosnian Serbs and the "Federal Republic of Yugoslavia."

[GLOBUS] Did the resolution provide that the aircraft of Western countries would fly over Croatian territory?

[Agotic] They will have to fly over Croatian territory. Since the beginning of 1991, since arrival of the UNPROFOR on the territory of Croatia, we have talked about this with the UNPROFOR forces. At first, the discussion was about flights of their planes over Croatia. Formally, an agreement has not been signed, it exists only in verbal form. The Ministry of Transportation and Communications is competent to issue permits for flights over Croatia, and it extends those permits once a month or once every two months. Thus, we have agreed with the UNPROFOR concerning corridors in which they can fly over the territory of Croatia. These corridors can be used in the new situation as well for enforcing the no-fly zone over Bosnia. When the activity of NATO is fully planned out, we are convinced that the Croatian side must also take part in agreements on the implementation of their plans. We are ready for agreement, because it is clear that it will not be possible to implement those decisions without Croatia. Even earlier, we offered our airspace, not only for humanitarian transport, but also for combat aircraft.

[GLOBUS] What about the air base at Udbina, which is in Serbian hands?

[Agotic] There are several dozen Jastrebs, Galebs (Sea Gulls), and helicopters at the air base in Udbina which during the war conducted constant combat operations over Croatia. Now their activity is almost negligible, mainly because of the lack of fuel. In addition, we have demanded that the UNPROFOR conduct an inspection of that airfield so that Serbian aircraft do not violate the agreement reached between Presidents Tudjman and Cosic. But the UNPROFOR has no duty to inform the Croatian side about those activities. Just as it does not inform the Serbian side about our activities.

[GLOBUS] What at the moment is the potential of Serbia's Air Force and the possibilities of its operation in a possible renewed war against Croatia?

[Agotic] Since the truce in Croatia, the Serbian Air Force has to some extent replenished and updated its potential. Accordingly, there is still a real possibility that the Serbian Air Force could cause destruction in Croatia. This does not mean that it could reach every part of the Republic of Croatia, but a certain number of aircraft could still bomb Zagreb, say, or launch missiles against it. This mainly applies to the MiG-29's. During the war, Belgrade had only one squadron, 16 MiG-29's. Now they have three squadrons.

[GLOBUS] From whom did they get the new MiG's?

[Agotic] From Russia. They also had several MiG-23's which were being repaired in the "Zmaj" Airplane Plant, and they took them off to Serbia when the former JNA withdrew from Croatia. We do not know whether they are operational now.

[GLOBUS] With what aircraft could the Croatian side violate the flight ban over Bosnia? The Serbian media have been writing that the Croatian Army has 22 jet combat planes.

[Agotic] We have exactly the same number of aircraft that we had during the height of the war. Croatia has not violated the embargo and acquired aircraft. The defense minister has spoken about that publicly and given the precise figures. It is unfortunate for us that we have been unable to import aircraft. We have as many aircraft as we captured. Our Air Force is just being born. We also have what we managed to preserve from the amateur flying clubs and some transport helicopters used to evacuate the wounded and to carry medical equipment. That is why at this point air defense is the most important for us. It was strong even during the war, and it is still better now. Now there is talk about removing the embargo, and we will perhaps soon purchase aircraft. But the question is what would make us happier: Removal of the embargo on the import of arms or a political solution to the military conflicts?

[GLOBUS] What type of aircraft would you personally want to have in the Croatian Air Force?

[Agotic] I would like airplanes from the West. Which type is an economic, but also a political, question.

[GLOBUS] Most Croatian pilots trained on aircraft manufactured in the Soviet Union. Has additional training been organized for them so that they can make the transition to Western aircraft?

[Agotic] We can only talk about theoretical training. Among other things, the pilots are studying English intensively, they are familiar with the equipment, they are keeping in shape with the aircraft we have. But it is not difficult for any pilot who has completed detailed training on any type of combat plane to make the transition to a new model. When we get the aircraft, they will technologically be two generations ahead of the planes on which our pilots were trained. Nevertheless, I think there ought not to be any major problems here.

[GLOBUS] Do you agree as a military analyst with the European assessments that Serbia could soon wage war on another front—in Kosovo?

[Agotic] That very old assessment is still relevant. Unless the situation calms down quickly in Bosnia and Herzegovina, Kosovo could become the next large hotbed of

war. And that could happen very quickly! If Serbia is rewarded for its aggression in Bosnia with territory, its appetites will become still greater, and it will logically open up new war fronts. And then Albania will also become involved.

[GLOBUS] Croatia signed an agreement in Geneva which requires it to withdraw armed forces from the territory liberated in the Maslenica Operation. What are the military consequences of that decision?

[Agotic] Operation Maslenica was a great victory for the Croatian Army. It significantly contributed to strengthening the morale of the Croatian Army, it showed that we can recover the occupied territories even by force. Croatia, however, consented to Resolution 802, which means that the occupying authority will not return to that area and that Croatia will reestablish control over those areas. And that was in fact the objective of the operation: to reestablish control over the route between Maslenica and Zadar and to get back Peruca. Accordingly, if Resolution 802 reestablishes Croatian authority in that area, then we have achieved our objective.

[GLOBUS] According to the proposed version of the agreement, Maslenica will be under full control of the police of the UNPROFOR, not those of Croatia. The Serbs in return are to place their heavy weapons once again under supervision of UN forces, although it has been shown that Croatia does not get much from that.

[Agotic] The UNPROFOR can control the Serbian heavy weapons. We know that in some sectors the UNPROFOR has effectively controlled the Serbian artillery and heavy weapons. The fact that now the Serbs have broken into the warehouses and taken the weapons from the UNPROFOR is another question.

It is well-known that it was foreseen even earlier that no military unit could be in the pink zones except for police of the Republic of Croatia, with an ethnic composition corresponding to the ethnic composition of the population in those zones. In the Zadar hinterland, the population is more than 90 percent Croatian, but because the UNPROFOR will not be able to perform police control itself, it will seek help from the Croatian police. In any case, our withdrawal from that region will not be unilateral; the Serbs will have to fulfill obligations which they assumed under the Geneva agreement.

[GLOBUS] Finally, an altogether personal question. It is well-known that you had diplomatic ambitions when you were an officer of the JNA. The Defense Ministry recently organized testing for military attaches. Did you compete, and did you pass the test?

[Agotic] My big test in military diplomacy were the negotiations with Andrija Raseta. I did not take those tests. Military attaches are recruited from ranks lower than mine. The post of military attache is not envisaged for an officer with the rank of general. But even I personally think that I am perhaps more needed in Croatia than somewhere abroad. Even what I am doing now falls partly in the field of diplomacy.

Federal

Churkin Arrives for Talks on Rejection of Peace Plan

Meets With Cosic

LD0605202393 Belgrade TANJUG Domestic Service in Serbo-Croatian 1925 GMT 6 May 93

[Text] Belgrade, 6 May (TANJUG)—Yugoslav President Dobrica Cosic this evening received the Russian special envoy for talks on the Bosnian crisis [Russian Deputy Foreign Minister Vitaliy Churkin] in the Palace of the Federation immediately after his arrival in Belgrade from Moscow.

Talks are taking place behind closed doors, but it has been learned that they are focusing on the latest situation following the decision of the assembly of the Serb republic [of Bosnia-Herzegovina] in Pale not to accept the two remaining documents of the Vance-Owen plan, but to allow the Serb people in the former Yugoslav Republic of Bosnia-Herzegovina to have the final say on the matter in a referendum scheduled for the middle of the month.

Churkin has come to Belgrade with the official stance of his government that all chances for a peaceful solution to the Bosnian crisis are not lost. In Moscow it is being indicated that the UN Security Council may meet at the ministerial level immediately after the referendum of the Serbs in Bosnia.

Meets With Milosevic

LD0705133093 Belgrade TANJUG in English 1254 GMT 7 May 93

["Pool" item]

[Text] Belgrade, May 7 (TANJUG)—President of the Republic of Serbia Slobodan Milosevic and Russian Deputy Foreign Minister Vitaliy Churkin met in Belgrade on Friday morning to discuss the topical issues related to the resolution of the Yugoslav crisis.

The talks were attended by Yugoslav Foreign Minister Vladislav Jovanovic and Russian Ambassador in Belgrade Gennadiy Shikin, said a brief statement released at President Milosevic's office.

Churkin, Russia's special envoy in Bosnia talks, arrived in Belgrade on Thursday evening when he met with Yugoslav President Dobrica Cosic.

Cosic and Milosevic will have talks also with co-chairmen of the conference on the former Yugoslavia Lord Owen and Thorvald Stoltenberg who are expected in Belgrade later on Friday.

The three mediators' visits to Belgrade followed a decision by the Bosnian Serb parliament early on Thursday to call a referendum for mid-May for the people of the Serb republic in Bosnia-Herzegovina to decide whether to endorse the Vance-Owen peace plan for Bosnia.

The governments of the F.R. Yugoslavia and Serbia on Thursday evening described the decision as bad, saying they would in future send only humanitarian aid and medicine to Bosnian Serbs, because of Yugoslavia's enormous economic difficulties resulting from the sanctions.

Air Force Claims NATO Planes Violated Airspace

LD0605160893 Belgrade TANJUG Domestic Service in Serbo-Croatian 1516 GMT 6 May 93

[Text] Belgrade, 6 May (TANJUG)—The command of the Yugoslav Air Force and Air Defense disclosed in a statement issued today that NATO planes violated the Federal Republic of Yugoslavia's [FRY] airspace on two occasions on 5 May.

The following is the Air Force Command statement:

"NATO aircraft engaged in the Deny Flight Operation violated FRY airspace on two separate occasions on 5 May.

"The first violation was committed by a combat plane which entered the Ljubovija area 2 km inside FRY territory at 1031. On the second occasion, an unmanned plane entered the Budva area, 20 km inside FRY airspace between 1112 and 1133.

"Five provocative flights along the FRY land border and three provocative flights along the FRY seashore were reported on the same day.

"A sharp protest has been lodged with UN Protection Force General Lars-Eric Wahlgren in connection with this.

"The Air Force and Air Defence Command stresses that on these occasions no combat activities were undertaken against the uncovered and monitored targets exclusively as a result of the determination of the Yugoslav Army leadership not to provide any argument for advocates of a military option to persist in their efforts to bring about a military intervention at this critical moment for the denouement of the crisis in former Yugoslavia," the statement by the Air Force and Air Defense Command states.

Prime Minister Kontic Expects Energy Shortages

LD0605221893 Belgrade TANJUG Domestic Service in Serbo-Croatian 1445 GMT 6 May 93

[Text] Belgrade, 6 May (TANJUG)—This year we can count on only 1.3 million metric tons of domestic oil, which amounts to about 50 percent of Yugoslavia's energy requirements for this year, or 25 percent of its "normal" needs in conditions of functioning industrial capacities.

Presenting these details at today's roundtable of the federal government and the Yugoslav Federation of Economists in the Palace of the Federation, Federal Prime Minister Radoje Kontic added that we will have at our disposal about 800 million cubic meters of domestic gas, or about 40 percent of what was estimated in the energy balance sheet for 1993.

There will perhaps be more electricity than we need, but that does not mean that there will not be problems in the supply of electricity. More than 30 billion kilowatt-hours can be supplied, perhaps 38 billion, but if the power plants are not operational (problems with spare parts) there will again be problems, Kontic said.

Chamber of Economy Recommends Further Oil Rationing

LD0705091993 Belgrade TANJUG in English 0858 GMT 7 May 93

[Text] Belgrade, May 7 (TANJUG)—The Yugoslav Chamber of Economy (PKJ) has proposed to the federal government additional measures which are to ensure sufficient quantities of oil for priority consumers, advisor in the PKJ energetics board Dusan Trifunovic told TANJUG.

The government's priority list includes production of food and medicines, and defence. The distribution of fuel is to be taken over by a state group for the distribution of goods in short supply.

The PKJ energetics board proposed a number of measures for further rationing of fuel, including the elimination of all parallel city transport lines, which will result in sending of many employees on paid leave.

The import of oil into the Federal Republic of Yugoslavia (F.R.Y) was suspended by the U.N. sanctions imposed in May 1992, because of Yugoslavia's alleged involvement in an ethnic and religious war in Bosnia-Herzegovina. The sanctions were tightened on April 26.

Last year's production of oil in Serbia's northern province of Vojvodina covered some 25 percent of the country's needs.

To ensure enough oil for the completion of the spring sowing, Belgrade city transport has been cut down by 70 percent since Tuesday.

A new rise in oil consumption is expected at harvest time, which is likely to cause a real collapse of the city and intercity transport this summer, Trifunovic said.

The shortage of fuel in the F.R.Y. has halted about 60 percent of the industrial plants.

JAT Airline Facing Bankruptcy Due to Sanctions

LD0705133893 Belgrade TANJUG in English 1107 GMT 7 May 93

[Text] Belgrade, May 7 (TANJUG)—The Yugoslav airline JAT, which has 6,439 employees and a 33-plane fleet, has had on the average less than two flights a day since the introduction of the international sanctions against the Federal Republic of Yugoslavia eleven months ago, JAT director Zika Petrovic told TANJUG on Friday.

The air carrier, which had maintained regular flights with cities on all continents for over four decades, has had no international flight since June 3 last year. JAT now has only domestic flights—between Belgrade and the Montenegrin capital of Podgorica and the Adriatic town of Tivat.

The JAT fleet has been mothballed, except for five smaller planes, Petrovic said.

He said that even the few domestic flights were maintained with extreme difficulties due to the fuel shortage caused by the international embargo.

JAT is among the companies which have been the hardest hit by the introduction of the sanctions against Yugoslavia.

Petrovic said that JAT's leadership was considering proclaiming bankruptcy and founding a company which would operate in keeping with the newly created situation.

West's Military Option in Bosnia Viewed

93BA0967A Belgrade POLITIKA in Serbo-Croatian 20 Apr 93 p 2

[Article by Miroslav Lazanski: "The West's Military Option"]

[Text] The skimming flight of a NATO plane over Banja Luka and the gum being chewed by members of the U.S. delegation of senators and congressmen at the talks in Pristina marked the beginning of what appears to be a dramatic week for the Serbs in Bosnia, but also for Yugoslavia.

Above Banja Luka, an obvious provocation with a clear desire for someone on the ground to open fire against the NATO plane to provide some justification for a strike against Serbian objectives on the ground. In Pristina, the haughty and arrogant behavior of the U.S. guests, characteristic, it is true, of young nations and young cultures, but nevertheless unprecedented for people who come as guests. Both Banja Luka and Pristina are but the echo of the long-standing diplomatic, economic, and now even military, pressure on the Serbs in the former Bosnia and Herzegovina [B-H] and on Yugoslavia.

Could and will the present NATO action in the sky of Bosnia escalate into a war of the West against the

Bosnian Serbs and perhaps even against Yugoslavia? The facts are clear: Any military option of the West on the territory of the former Yugoslavia would probably be an inglorious escapade, because there is certainly no clear political order or political task to be accomplished after the "military solution." Western interventionist troops, and ground troops would have to come, because nothing is solved by air strikes would be waging war against the Bosnian Serbs in a specific "asymmetrical war," in a conflict in which the Western armies would have political constraints. In other words, this would mean that they must neither win nor lose the war in military terms. The essential explanation of the phenomenon of a possible Bosnian conflict between Serbs and NATO is the difference in views between Western strategists and the Bosnian Serbs. The Serbs in the former B-H are waging war for national survival, while the West wants and is trying to impose a model of life and government according to its own scenario. The Serbs in B-H, should the West intervene militarily on behalf of their adversaries, will not wage any limited war, but total war. They will fight for all or nothing.

The West is in a completely different situation: Regardless of all the assertions of analysts that the events in the former Yugoslavia represent a latent danger for possible recurrences in other parts of Europe, the conflict in Bosnia would necessarily be limited and precisely a local intervention for the Western soldiers. This fundamental difference in the intensity of military involvement—total war on the one hand and local intervention (no matter how modern the weapons used to wage it) on the other—will have many consequences, should it occur. The West's military commanders will not have a free hand in Bosnia, they will not be the ones making the decisions, because the Western objective in a military intervention like that cannot be total war against the Serbs, but only forcing them to accept the model of Vance-Owen maps.

A motivation problem would probably arise with the Western soldiers who would possibly fight in Bosnia, and these would be ground troops. This would be intensified the longer the conflict lasted. In the public of the Western countries, there would probably be doubts, protests, and demands to "bring the boys back home quickly."

The totality of the war for the Bosnian Serbs, by contrast, would evoke in them strong emotions and solidarity, an ability to endure, which is a precondition for protracted guerrilla warfare. The amount of pain inflicted up to now beyond a certain limit of suffering only intensifies the desire for revenge and combat. In a possible military conflict against NATO forces, the Bosnian Serbs would certainly not aim at frontal and direct military collisions. They would inflict local strikes on the Western soldiers, they would undermine and frustrate them. The important thing for the Bosnian Serb is that in the end they do not lose in military terms, because the basic rule of guerrilla warfare is this: The guerrilla wins when he does not lose, but a conventional army loses when it does not win.

This is that "asymmetry" in the conceptual approach to warfare between large foreign armies and a people on its own territory. Because of geography, the world public, and its own public, Bosnia is a space where the West cannot use all its firepower. In a possible conflict with NATO, the Bosnian Serbs will not try to achieve immediate success in military terms, but will strive to win political points with the public of the West. That is why Western strategists will have to choose at this point: either broaden the war totally or prepare for a protracted guerrilla conflict. A third possibility is withdrawal from all this while there is still time. Of course, the conflict could also be "Bosniafied" with deliveries of arms to the government of Alija Izetbegovic.

Be that as it may, the West can hardly win a small war against the Serbs in Bosnia, because by their very structure the Western democracies cannot withstand a protracted guerrilla war and war of attrition in which the media become saturated with bloody scenes, moral doubts arise, and divisions occur in the public at home. Europe's public is not capable of living for a long time with guerrilla warfare somewhere in the ravines of the Balkans. Nevertheless, should the present operation of NATO planes become a conflict with the Serbs from the former B-H and all of that extend into a war of attrition, the U.S. logistical machinery would have to carry a burden just as heavy as in the Vietnam war. No one knows whether the U.S. public is willing to pay the same price....

Economic Situation in View of Sanctions

AU0705101293 Belgrade VREME in Serbo-Croatian 26 Apr 93 p 21

[D. Boarov Article: "Freezing a Society"]

[Text] The Yugoslav economy, now anticipating the tightening of the international sanctions, is in an exhausted state because of various external and internal shocks that have lasted for over two years. Industrial production started dropping in 1990, by 12 percent. In the following year it dropped by 18 percent and reached a rate of decline of 23 percent last year. Compared to the average industrial production in 1992, this year's production dropped by 40 percent during the first months. Experts say that production levels in most branches of production have dropped to the level of the sixties. The sanctions will reduce the economy to even earlier stages. It is assessed that among the total number of employed—approximately 2 million—almost 700,000 have been laid-off and only about 500,000 work in production (the others have nonproduction jobs).

Key Factors

Even if the borders were not physically blocked, supplying industries dependent on imports in the coming

months would be very difficult. A month ago, the Yugoslav Assembly published the information that only $268 million was available out of the total foreign exchange reserves, which allegedly amount to $1.3 billion. It seems that the money that was not under the control of the central bank was spent very quickly in March before the federal government took the announced measures. The import of goods amounted to $460 million in March, which is four times more than the average figures of the previous months. It is not clear how much hard currency is left in banks and mixed companies if the information is true that the trade deficit amounted to $587 million during the first three months of this year (after last year's trade deficit of $1.32 million). A smaller portion of the March imports was used for making production materials and energy reserves, and a larger portion was used for buying consumer goods because of higher profits. Last year foreign trade had already shown signs of dying: exports dropped by almost 50 percent and imports by 30 percent.

In case of a "hermetic" closing of the Yugoslav economy, the key factors are food and energy. Naturally, the government does not want to state the minimum needs, so we can only give the energy and food consumption figures based on the indicators from "normal" years.

It has been assessed that Yugoslavia has an annual consumption of approximately 1.6 million metric tons of wheat. Last year the production of wheat amounted to 2.1 million tons, according to "federal sources," and it was stated that more than 800,000 hectares were planted with wheat last autumn. The problem lies in the fact that only 17,000 tons of too-expensive chemical fertilizers were in stock last winter. It is estimated that spring agricultural work requires approximately 520,000 tons of fertilizers. The government has directed scarce quantities of natural gas to the fertilizer factory in Pancevo because it is one of the country's top priorities.

The production of corn amounted to 4.6 million tons last year, and 5.8 million tons are expected this year. Both figures lie above the usual annual consumption. What is more, they can be considered extremely high now because cattle raising is decreasing. Last year 480,000 tons of all kinds of meat were produced, which is 10 percent less than in the previous year. The collapse of meat exports and the reduced purchasing power of the population affect cattle raising. Compared with 1965, we had 14 percent fewer cattle and 41 percent fewer sheep in 1992. In almost 20 years the number of pigs increased by only 9.6 percent.

Bad Experiences

Under normal circumstances (when the food industry works at full capacity), Yugoslavia consumes around 400,000 tons of white sugar per year. Production amounted to 300,000 tons last year. The annual consumption of vegetable oils is approximately 170,000 tons; 200,000 tons were produced last year.

In the case of an absolute blockade, the government will have many problems preventing hunger, although it says that the country is self-sufficient as far as food is concerned. Peasants have bad experiences with the prices the state pays them for their crops. One of the problems is the cultivation of almost 5 million hectares of cultivable soil, because there is no fuel for about 300,000 tractors. Normal crops cannot be expected because of the lack of fertilizers. If they are available, they are too expensive.

As far as energy is concerned, the situation is even worse than with food. We have to operate with estimates here because the balance of energy production and consumption was not made for 1993—for the first time in many years.

It is estimated that an average of 4 million oil products were consumed last year. Only 1.2 million tons were produced out of Yugoslav crude oil (the Yugoslav production of crude oil is 1.3 million tons). A consumption of 5.8 million tons of oil products was planned for the last year.

Last year 2.1 billion cubic meters of natural gas were consumed; 0.8 billion were produced from domestic sources.

It is well-known that Serbia has surplus capacities for the production of electrical energy. Serbia produced 37 billion kilowatt-hours last year and exported 5.3 billion kilowatt-hours.

A major problem is losses in the power-production industry—there are no spare parts and, apart from that, there are sizable oscillations in consumption because two-thirds of electrical energy is used for heating.

Coal production amounted to 39.5 million tons, but two-thirds of it are low-caloric brown coal. As far as wood is concerned, there is as much as you can cut. This means that it will last for several more years.

Gray Economy Increases Its Share of GNP

93BA0931D Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 5 Apr 93 pp 24-26

[Unattributed article: "Gray Economy: Rise in Untaxed Revenues"]

[Text] *While on the one hand three-fourths of the population already lives near or below the subsistence level, on the other hand an increasing share of the national wealth is flowing, untaxed and uncontrolled, into the hands of a very small number of people through the gray economy and all sorts of crime.*

Around three decades ago, statisticians began formulating methods for appraising the share of the gray or irregular economy in the total social product. In our country, it was not until last year that the first serious publication on this subject appeared, in the last issue of EKONOMSKI TREND, published by the Institute for

Statistics, in an article by Gorana Bozovic entitled "The Gray Economy in the FRY." With a certain amount of abridgment and editing, we present the author's key findings with additional clarifications provided in an interview with our reporter.

The assessments carried out by the Federal Institute of Statistics indicate that the scope of the gray economy in the FRY assumed enormous proportions in 1991 and 1992. In 1991, for every 100 dinars of registered social product 31.1 dinars were unregistered, with a figure of 41.7 dinars in 1992. In the same economic area in 1981 and 1986, 20 dinars and 24.6 dinars, respectively, of unregistered social product were realized for 100 registered dinars.

It is characteristic that the gray economy has grabbed hold of the financial sphere to a large measure. Under conditions of stagnation in payments and a major slowdown in the speed of money circulation, noncash forms of payment have been displaced and there has been a major increase in the amount of cash in circulation. This has made it possible for illegal cash transactions to be conducted in large measure (cash economy). During individual periods, the cash in circulation has exceeded 40 percent of the total money supply, while in normal economies this percentage is around three times less.

The forced interruption in the legal influx of foreign exchange, under conditions of economic blockade, and the high demand for foreign exchange under conditions of illegal imports that must be paid for in cash have created fertile ground for the expansion of the black market in foreign exchange, which has been functioning for a long time now. On the other hand, the unrealistic official exchange rate and hyperinflation mean that a large quantity of foreign exchange is circulating among the population, beyond the reach of banks.

During the entire last decade, there was a clear tendency toward the "flight of dinars into foreign exchange," up to the blocking of citizens' foreign-exchange savings in banks in 1991. Specifically, according to NBJ [National Bank of Yugoslavia] figures, around four-fifths of the population's total money in 1986 was in the form of dinars, with around one-fifth in foreign exchange. In 1992, the ratio of dinars to foreign exchange was reversed: around one-fifth of the population's total money in dinars and around four-fifths in foreign exchange. After the loss of confidence in state banks, the citizens sought to keep the majority of their foreign exchange in private banks or at home. With the drop in the value of the dinar, after frequent devaluations and denominations, prices on the black market—and even in legal trade—are increasingly expressed in foreign-exchange figures, so that even payments in the country are often made in foreign exchange. In this way, foreign exchange is increasingly displacing the dinar in the performance of its basic functions.

Under such conditions, citizens are starting to guard against inflationary losses by keeping foreign exchange instead of dinars, while on the other hand earning as much profit as possible by selling foreign exchange at the black-market rate. These illegal financial transactions (with dinars and foreign exchange) can be conducted only by a limited segment of the population with higher incomes, thus increasing their earnings at the expense of those with lower incomes. Earnings from net interest and net foreign-exchange inflow (together with the unregistered share) amounted to 27.9 percent of the population's total earnings in 1991, and 44.7 percent in 1992! Personal income is no longer the most important source of earnings for the population. Its share in the total earnings of the population in 1991 was 39.2 percent, while in 1992 it was only 28.6 percent. In this way, through the gray economy in the field of finances, a significant redistribution of earnings and a major stratification of the population is being carried out, with very serious consequences for the middle classes.

The significance of the gray economy to the registered and total social product is indicated by the following figures. In 1991, the gray economy accounted for 23.7 percent of total economic activities, with 29.4 percent in 1992. Expressed in fixed prices (1972), which is how the registered social product is also expressed, the gray economy amounted to 446,000 dinars in 1991 and 436,000 dinars in 1992.

On the other hand, the large scale of the gray economy on the whole, and especially in trade and finances, shows that the state has been forgoing the richest sources of revenues. And this during a period of enormous state spending for the military, refugees, state reorganization, subsidies for the economy, and social outlay for the population. The state is covering its increased needs by taxing consumption or issuing money, thus increasing inflation, which is paid for by everyone—especially the middle and lower social classes that lack the option of protecting themselves from inflationary losses through financial speculation. For example, the population's earnings based on pensions, disability benefits, and welfare amounted to 13.3 percent of the population's total earnings in 1991 and 9.1 percent in 1992. The drop in the share of these earnings occurred despite the increase in the number of pensioners, socially threatened citizens, and refugees. Some estimates indicate that three-fourths of our population is living below or near the subsistence level. In the underdeveloped part of Asia, this figure is 49 percent, in southern Africa 47 percent, and in the countries of Latin America, with which our country has been compared in terms of level of development, 26 percent.

The registered social product in 1991 was 11 percent less than in 1986. This drop in the registered social product is softened by the 12.6 percent increase in the scale of the gray economy, so that the total social product in 1991 was only 6.4 percent less than in 1986.

In 1992, the drop in the registered social product compared to 1991 was around 27 percent, while the drop in the total social product was around 21 percent, because

the gray economy declined more slowly (2 percent). However, although the scope of the gray economy was less in absolute terms, its relative significance in relation to the registered social product was enormous, amounting to 41.7 percent in 1992, while in 1991 it accounted for 31.1 percent of the registered social product.

On the macro scale, the gray economy has a positive effect to a certain extent, because it reduces the level of unemployment, provides market adjustments by alleviating the shortage of goods and services, and partially absorbs the impact on the population's standard of living by increasing household earnings.

In the micro scale, the gray economy, besides increasing household earnings, leads to major redistributions, with destructive consequences for the stratification of the population, especially through the financial sphere. In fact, the specific effect of the gray economy under the extraordinary conditions of 1991 and 1992 is more in the area of redistribution than in the creation of new value.

The gross turnover of the gray economy, especially in the areas of trade and finance, is increasing much faster than it is affecting the increase in the total social product.

The figures indicate that the gray economy could, to a certain extent, offset the decline in the regular economy and alleviate the consequences of unemployment, but it cannot fully offset the drastic decline in production characteristic of 1992. The gray economy can slow down the drop in the population's standard of living and alleviate social tensions or postpone social convulsions, but it cannot halt the impoverishment of the middle classes and the ruin of the impoverished classes.

When the scope of the gray economy, under extraordinary conditions, achieves major proportions in relation to the registered social product (41.7 percent in 1992), the economic parameters for the functioning of the economy provided by official statistics become unreliable in terms of managing the national economy. The economic system begins to function spontaneously, with all the economic risks and social consequences inherent in that situation.

However, the state cannot forgo adequate information for managing the development of the economy and of society. Nor can it be largely financed by prime issue and inflation on a permanent basis.

If the state were to establish control over the gray economy—i.e., if the predominant part of it were legalized and taxed—then the tax burden on the regular part of the economy would be significantly reduced, or pressure on prime issue to cover the major budget deficits would be reduced. This would also reduce the pressure on inflation, which is fed by the excessive issue of money, while the stratification of the population would slow down.

Zastava Car Maker Surviving Sanctions

93BA0931G Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 5 Apr 93 p 32

[Article by M.S.: "Zastava d.d., Kragujevac: Without Production and Without Losses"]

[Text] *The Kragujevac automaker has evaded bankruptcy; how production will happen this year with exhausted funds.*

The report recently given to journalists (without numerical data) on last year's business results for the 39 companies in the "Zastava" system boils down to the conclusion that one-third of those companies operated with relative success, another third functioned at the verge of losses, while the other third operated at a loss, which was covered by their own reserves, so that none of the companies is threatened by bankruptcy proceedings and the imposition of special measures for administering their property, as prescribed by law. This third category of companies in the "Zastava" d.d. group merits somewhat more serious attention, because we are encountering an unquestionably new phenomenon in our economy—over the course of last year, individual companies, especially the Automobile Factory, did not achieve a production level that would be above one month's level from previous years. Moreover, the majority of workers were on continuous mandatory leave (while being paid the personal income guaranteed by law), although the enterprise nevertheless found the means to cover the resulting losses in a year when production was at a standstill, so to speak.

Naturally, no one is hoping for the initiation of bankruptcy proceedings at "Zastava Automobiles," but the very fact that the means can be found to cover losses without production ensuring the lowest level of economic feasibility of the installed capacities and use of manpower sounds a little incredible, and at the same time leads one to reconsider the balancing act with which the operation "covering losses from own resources" was carried out, says Miodrag Milicevic, the director of the Department for Strategic Development and Economics at "Zastava" d.d.

It is clear that the automobile factory had certain obligations toward both domestic and foreign creditors. From last year's maximally reduced production, for example, it was necessary to finance the upkeep of plants and equipment, which was not done in the best way in terms of the damage suffered during the winter months when the factory was not in operation; it was necessary to finance (with the help of the Republican Fund) the personal income of nearly 17,000 employees; it was necessary, for the minimum production of automobiles, to deliver vehicles to buyers who had made their payments up to a year in advance, to comply with at least certain legal obligations, and finally, to regularly pay back loans to commercial banks. There is no doubt that on this occasion as well our banks played the decisive role in the operation known as "save the production of

automobiles," through deferments of due annuities, exemptions from due interest, and even by "deleting" outstanding debts. The damaging effects of these moves on the country's overall economy are another question entirely. However, the realization of the plan for this year is beginning under circumstances of a watered-down business fund. Does this mean that the plan will be in jeopardy because of a lack of money in the coffers of "Zastava Automobile"? According to the current method for providing funds it appears that it will not be, although many subcontractors, or subcontractors of their subcontractors, are demanding advance payment for ordered parts and systems. During a recent visit to "Zastava" by the minister of industry of the Republic of Serbia, Momir Pavlicevic, and the minister for foreign economic relations and economic development, Radoslav Mitrovic, the assessment was that the plans for the production and sale of automobiles are realistic, despite all the problems. Everyone admits that the facts and assumptions on which the assessment of how realistic the plan in question is are better available to the management of "Zastava" d.d. and the ministers in question. But nevertheless, the question remains: What is the price of this production under the conditions that accompany and dictate it?

KBB Opens Branch Office, Two Firms in Cyprus

93BA0931E Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 5 Apr 93 p 31

[Article by V.Gr.: "Credit Bank of Belgrade: Everything Subordinate to Capital"]

[Text] *Total capital with unnominated reserves increased in real terms by 50 percent; bank set up a branch in Cyprus and two firms—KBB Komerc and KBB Omni Co.*

Preserving and increasing the real value of its fixed capital and sources was the basic business goal of Credit Bank of Belgrade [KBB] in 1992, and that remains the goal this year as well. That is why the bank continues to adapt its business policy on a daily basis. This is the only way that it can count on success under unstable conditions. That is the reason that it remains one of the essential authorities of the administrative board, instead of the annual meeting, to quickly and efficiently enact and change business decisions.

Speaking at the bank's regular annual meeting, general director Vitomir Janjuz noted that the nominated (stockholder) capital was completely revalorized in 1992, as stipulated, meaning that it was increased by 198 times (the same as retail prices). This did not involve all the capital at the bank's disposal, because that would have meant adding the created reserves which, although unnominated, belong to the stockholders. Viewed in this way, the total capital was increased significantly higher than revalorization (by 298 percent). The real growth compared to the previous year was 50 percent.

The bank's total reserves will not remain unnominated to the stockholders. Each stockholder has received a voucher for a share of the reserves. In other words, the stockholders can count on participation in this capital of 17.9 billion dinars.

Still, it must be noted that the bank's business report did not include information on the number and structure of stockholders and on the concrete participation of each of them in the capital. According to what Mr. Janjuz says, this information is not provided for 1992 because there were no essential changes in relation to the previous year. There was compliance with the rule that most stockholders cannot participate in more than 10 percent of the bank's capital.

The total real growth in the bank's capital is not limited to the extension of permanent sources of funds. Part of the 10 percent served to pay dividends to stockholders in mid-March, whereby the basis for settlement was the average revalorized capital in 1992. This is a total of 1.270 dinars per share with a nominal value of 100 dinars.

Bank workers were unable to be adequately compensated for their obvious business success due to provisions limiting salaries. For that reason, they each received 3 million dinars in the form of loans.

It can be noted that the bank is achieving good business results under conditions where the general situation for companies is difficult. In principle, things are easier for banks than for companies, perhaps because of the nature of averaging, for example, liquidity, which happens with them. At the same time, says Janjuz, there is chaos, lawlessness, and crime among banks (the closed doors of some of them proves that this is the case). "There are privileged ones that are allowed everything, and under such conditions it is hard to remain competitive, especially with a fixed official exchange rate for the dinar."

Credit Bank of Belgrade has not accepted the challenge to enter into illicit dealings. In order to protect its capital and business operations with regard to foreign countries, it has set up a branch in Cyprus with all the authorities of a bank (except for doing business with Cypriot companies and citizens), which allows it, under conditions of embargo and a 90 percent drop in trade payments in 1992, to efficiently engage in payments and collections for all subjects, including "off shore" companies outside Yugoslavia, and well as for those that do not have firms in Cyprus. For the sake of protecting capital and achieving greater profits, which are not present today in classical banking transactions (interest rates are significantly lower than the rate of inflation), the bank has opened two firms for trading in commodities and other dealings—KBB Komerc and KBB Omni Co.—into which it is directing part of its potential.

The bank has not had major problems collecting loans, and in cases where such problems have emerged, it has introduced the rule of mortgage security. It does not always insist on a mortgage when assessing a credit rating (when well-known and long-term consignees are

involved). Still, these are loan beneficiaries with whom there have not been major problems.

Unsettled obligations on old foreign-exchange savings at the bank amount to $28 million. The bank is not abandoning this obligation toward the citizens. It is waiting for the embargo to be lifted and for exchange rates and inflows to be normalized. At first, these obligations would be settled partially, and then in whole.

Dugme Bank Finances Small Business Ventures

93BA0931C Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 5 Apr 93 pp 18-19

[Interview with Vuceta Dobrasinovic, director of development and marketing for Dugme Bank, by V.V.; date and place not given: "Savings for Good Business"]

[Text] In September 1992 at the newly established "Dezert" trade center in the busiest part of Leskovac, the "Dugme Komerc" private holding company opened "Dugme Bank." In a relatively short period of time, it has expanded business throughout the rest of the Leskovac area, or rather Jablanica Okrug, organizing work with the population and the economy. Savings depositors are paid decent interest on dinar deposits, while in early March of this year it offered them checking accounts and the performance of several other services for their benefit.

Because this is the first private bank in this part of Serbia, we were interested in what sort of experience has been gained, what problems have been encountered in operations, and what plans are being made with regard to its development. We discussed this with Mr. Vuceta Dobrasinovic, the director of development and marketing.

[V.V.] What are the motives for founding a private bank, given the fact that banking services in Leskovac are provided by "Jugobanka," JIK Bank, Agrobanka, Konzorcijum, Zanatbanka, and "Karic Bank"?

[Dobrasinovic] We respect and deeply appreciate the work of the banks that you mention. They have their own scope and content of business, as defined in corresponding documents. We maintain very solid business relations with all the banks that you have mentioned, and we are developing and advancing this cooperation, while respecting our mutual interests. When founding "Dugme Bank," we started with the achieved level of development of the "Dugme Komerc" holding company, the tasks that we face, and the goals that we aspire to. Our company is involved in voluminous and very important business in construction, the travel industry and transport, commerce, the hotel and restaurant trade, import-export, engineering.... In this way, the conditions were in place and the need had emerged to form a bank.

[V.V.] How many depositors have entrusted their money to your bank thus far and what is the average deposit, if that is not a business secret?

[Dobrasinovic] During the six months since our teller windows opened, more than 10,000 citizens have deposited their dinars for savings in "Dugme Bank." Naturally, the largest deposits are from Leskovac, followed by Lebane, Grdelica, Vucje, Brestovac, Bojnik, Vlasotince, Pecenjevce, and other places in Jablanica Okrug. Some of the depositors are from the territory of Pcinja, Toplica, and Nis Okrugs.

The smallest savings deposits are between 100,000 and 500,000 dinars, which means that most of the depositors are citizens from the so-called middle class. There are also big individual deposits that exceed 30 million dinars, but for us every dinar deposited for savings is big. I can say with satisfaction that during this period we have amassed significant monetary resources and that it is intended for users on several fronts, most of all in development work and undertakings.

[V.V.] What development programs?

[Dobrasinovic] Only those programs that ensure a profit and contribute to an increase in production and earnings, but under no circumstances dubious projects that only swallow up money. Also, part of the capital is intended for the financial recovery of those enterprises that have temporarily fallen upon hard times and that need this sort of infusion in order to make it through the acute crisis and stand on sound footing. We have evolved criteria and devote maximum attention to each application in order to avoid possible risk. The times we live in are complicated.

In addition, "Dugme Bank" approves the use of its accumulated monetary savings by beneficiaries for the acquisition of raw materials and other substances in short supply in order to keep economic production going at the respective capacities, as well as in agriculture for the production of food, primarily healthy fruits and vegetables, meat, and grains. The basic approach is that the projects invested in have their own justification and prospects, while avoiding the pitfall of failed investments and dead capital.

[V.V.] Can small business and private entrepreneurs count on capital from "Dugme Bank"?

[Dobrasinovic] Certainly. We do not draw any distinctions between our loan applicants. It is essential that the money be used in the best way, but not at any price. Small business has exceptional conditions for development in this area, and we see here opportunities for ourselves. Thus far, for example, more than 2,000 private enterprises have been formed in the territory of Leskovac Opstina alone, and they can count on capital from our bank's potential.

It is no exaggeration when I say that "Dugme Bank" is gradually orienting itself and specializing as a bank for small business, as its reliable companion and financier in the broadest sense of the word. A large number of owners of private enterprises, popular small businessmen, have deposited their free capital in our bank, and we have

truly established solid business relations with them. For that reason, we objectively expect even better results in the coming period. Time and the course of events are on our side, on the side of small business and enterprise.

[V.V.] Under what conditions can private entrepreneurs use "Dugme Bank" capital?

[Dobrasinovic] Experience shows that private entrepreneurs are much more enterprising and that they avoid letting their acquired capital languish in accounts. They are flexible and ready to react quickly. They have invested their capital in our bank as deposits. They use loans under the conditions of our business policy, and in this domain mutual trust is essential. In some cases, an acceptance order must be provided, as well as a mortgage if necessary. In this way we want to protect the money in our potential, but the loan applicant too is not indifferent to how the capital is invested when he knows that he has obligations and that he must pay back the debt if he does not want his house to be auctioned off.

[V.V.] How much money has been invested and what problems are you encountering?

[Dobrasinovic] First of all I want to emphasize that in the loan approval process we avoid excessive administration and that we do not drag our feet in making a decision. We try to evaluate applications and give our judgment quickly. This does not mean, however, that we make rash decisions. Thus far, more than 10 billion dinars have been designated for investment in various projects and for various purposes, mostly in agriculture and the development of small business.

The biggest problem, according to our assessment, is the money crunch that is exerting pressure from all sides. Major quantities of money are immobilized, out of circulation, and that is a headache for all of us. The flow of money is seriously disrupted. We expect that the competent government institutions, in the process of resolving the situation in the banking sector and its transformation, will provide contemporary and more acceptable solutions for overcoming this situation and for raising the respectability and business efficiency of banks, which have been shaken and disrupted.

[V.V.] Do you have enough cash to pay out the interest and the deposits that savers have invested?

[Dobrasinovic] We are somehow managing to secure the money to pay out earned interest and the population's savings deposits. The problem is cash, and that is creating many problems, as well as unpleasant scenes at teller windows. Nevertheless, we are endeavoring to satisfy depositors, because it is their money, by forgoing the acquired cash to which they have a right, and we appreciate and respect that. The hardest thing for us is when we are unable to accommodate people at a given hour or on a given day, and that does happen. There is simply no money, no cash. Because of this, we propose to them that they be paid on the basis of a checking account, and in that way we solve the problem.

[V.V.] What are the Bank's further plans?

[Dobrasinovic] Without neglecting dinar savings and the accumulation of citizens' resources on other bases, we are trying to expand our business to foreign-exchange savings as well. Next, we are enriching the banking business with new elements, extending the sphere of interest. The primary task is to see to it that our bank is even more actively and strongly involved in the development of the company "Dugme Komerc," but also of small business in the area.

The "Dugme Komerc" holding company has a well-formulated development strategy and faces a new cycle of business trends. One very interesting trend is more narrow specialization in dealing with construction sites, and then the building of roads and similar structures. The company has specialized in this type of business, among other things. This is evidenced by the hundreds of kilometers of the road network that have been built, mostly in Kosovo and Metohija, but also in other regions of the country. The company has plenty of powerful mechanized equipment for performing even the most complex tasks in this field.

[V.V.] It appears that construction is the backbone of the entire company's business?

[Dobrasinovic] Civil engineering is one of the priorities in our orientation, and "Dugme Bank" has an irreplaceable place and role in this. Also with respect to the import of petroleum and its derivatives. This is a well-established business and a developed system. We have at our disposal an adequate number of tanker trucks for transporting liquid fuel, gasoline pumps, and other installations. We are basing our activities on this field of business and are also ready for new and more complex undertakings.

Transport activities are also one of our tasks, given the fact that our holding company has at its disposal a strong motor pool comprising more than 50 freight vehicles for transporting goods. We are also interested in developing foreign and domestic trade, as well as in the hotel and restaurant trade. I must say that much of our business is burdened by the embargo and economic sanctions, but I hope that this injustice against Yugoslavia will be lifted soon. That will open up broader prospects for us as well.

[V.V.] Will you expand the "Dugme Bank" network?

[Dobrasinovic] Of course we will. The development of the company and of its components inevitably demands the development of a banking network in our regions. That is also a consequence of the development of private enterprise and small business. This means that we must proportionally ensure the inflow of money. One of the ways to do this is to accumulate dinar and foreign-exchange savings and to accept other sources of capital in order to strengthen the potential. We are counting on opening a "Dugme Bank" business office in Nis before long. We have acquired office space and made all the preparations, so that its opening is expected soon.

Metal, Electric Industries Threatened by Sanctions

93BA0931B Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 5 Apr 93 p 15

[Article by S.R.: "Metal Industry: Most Threatened Sector"]

[Text] The current business problems of the Serbian metal and electric industries at the beginning of 1993 were the subject of talks at the republican economic chamber. A large number of enterprises are threatened by a complete shutdown of production, while this is the sector that is Serbia's most important industrial complex. It is precisely in this sector that a large number of international contracts on business-technical collaboration, cooperation, and joint investment have been concluded. The problems are made worse by the fact that the enterprises have lost markets both for the supply of intermediate goods, parts, and fittings and for the sale of their products.

The production of means of transportation, the most important industrial sector within the Serbian metal and electric industry, has been worst off. The decline in production over the course of 1992 was 47.9 percent compared to the previous year. Given the impossibility of quick reorientation to other production programs and given the series of unfavorable events in economic and political life, these problems are continuing into early 1993. The only bright spot is the production of rolling stock, where the decline in production came to 13.1 percent. A drastic decline in production was realized with passenger cars—as much as 90 percent. Parts of the enterprises "Zastava," "Fap," "Ikarus," and "21 Maj" Engine Plant were in the worst situation.

Shipbuilding is also one of the strong industrial sectors in Serbia. This sector faced exceptionally difficult problems because it used an entire series of products from former SFRY republics in its production, primarily from Croatia and Slovenia. Business contacts were cut off, and some key systems cannot be replaced. Contracts with foreign partners have been frozen. Over the course of 1992, shipbuilding enterprises were primarily involved in transport services on domestic rivers and in repairing their own vessels.

As far as the production of electric machines and equipment is concerned, in 1992 a decline of 35.1 percent was registered compared to 1991. Viewed according to activities, the greatest decline was seen in the production of cables and ducts, while the least decline in production was experienced by producers of electric household equipment. Production continued as long as certain quantities of raw materials and intermediate goods were still on hand. They have been exhausted, and a large number of enterprises will continue at a lower level of production.

The most significant impact of the November prime issue was felt by machine-building enterprises. Thanks to this financial stimulus alone, some sort of continuity of production was possible, although in 1992 machine-building registered, after the production of means of transportation, the largest decline in production (37.4) compared to the previous year.

More essential shifts cannot be expected in 1993, given the fact that the current economic and political encirclement is having a devastating effect on that entire complex. What can be done right now relates to renewing business contacts and seeking partners in new markets.

Details on Gas Imports of 'Mysterious' Firm

93BA0955A Belgrade VREME in Serbo-Croatian 19 Apr 93 pp 24-25

[Article by D. Boarov: "Russian Gas in Serbian Assembly: Black Gas Chamber"]

[Text] *Why Radoman Bozovic asked that there be no polemics about gas, especially in the press.*

Ever since the mysterious Russian-Serbian joint-stock company "Progresgas-Trejding," headquartered in Belgrade, concluded an agreement with "Gaseksport" in Moscow on the long-term supply of gas to Serbia from 1993 to 2013 (in early March), the mystery surrounding this deal has grown ever-greater. Since the entire deal is being kept strictly confidential "under the auspices" of world sanctions, no one in a position of authority will even whisper a word about the "deal of the century," which is apparently being carried out by informal political staffs, because the public enterprises have been bypassed in favor of private confidants. The monopoly on the import of gas into Serbia is being taken away from the Petroleum Industry of Serbia [NIS] and placed in the hands of a "private joint-stock company" headed by Toplica Nedeljkovic, until last year the deputy minister of energy in the Serbian government and a close colleague of current Serbian Prime Minister Nikola Sainovic.

Even this rather condensed account of the "circumstances" surrounding the import of Russian gas (behind Yeltsin's back?) prompted people's deputy Goran Vasic (DS [Democratic Party]) to pose a question in parliament: Is it true that the government intends to entrust the job of importing gas from Russia to one private company, or has it already done so? Deputy Vasic also asks the following: If this is true, what are the reasons for refusing confidence in the previous importer, NAP of Novi Sad, and what were the criteria that guided the Serbian government in choosing the new business partner for this job, worth $250 million?

Fax Message

Deputy Vasic is right not to believe Toplica Nedeljkovic's statement (to NIN) that this deal has already been concluded and that the Russian side insisted on entrusting it to a private company. It is true that there are indications that this secret agreement has already

been concluded. Top people at NIS in Novi Sad, led by the president of that state company, Milan Djakovic, were recently unpleasantly surprised when the agile Toplica Nedeljkovic demanded from them a report on gas deliveries that have arrived in Yugoslavia this year. This leads one to conclude that the March agreement was signed with retroactive effect—and that the people who did this work for a full 15 years and dealt with it technically even under "sanctions" were not even notified of anything. Perhaps only the head of NIS, Mr. Djakovic, is an exception in this regard.

Specifically, in the Novi Sad business grapevine, a bad impression was left by the only recently "intercepted" telefax that was sent to Djakovic back in November of last year by the head of Belgrade's "Progres," M. Marjanovic. In that message, Marjanovic cites his telephone conversation with then-Prime Minister Radoman Bozovic, in which the latter insists "that there be no polemics, especially in the press, in connection with the gas problem" until the three of them—the prime minister, the head of the foreign trade company, and the head of the state company for petroleum and gas—manage to entrust the job to a fourth party. The continuation of this quoted correspondence with Bozovic sounded especially bad, when Marjanovic denounced his colleague Milan Zogovic, the head of "NIS-Energogas," one of the previous distributors of gas, as a man whose demands (that smooth-running business not be affected) "could in many regards contribute to a situation that is much more serious with regard to gas than it is today." This denunciation probably came easily to Marjanovic, because the new monopolist on the import of gas is in fact the product of his company and the Bozovic government ("Progresgas-Trejding"), and this is a deal that brings in nearly $10 million a year in clear profit.

Paying the Bills

The risque aspect of the import of gas "behind the back" of the sanctions lies in the fact that it has gone on both last year and this year, ostensibly for the benefit of Bosnia. Specifically, the import of 2.8 billion normal cubic meters of gas from Russia to Serbia and Vojvodina was agreed to for last year, but prior to the world sanctions only 1.1 billion had been imported. Over the following seven months of last year, it is estimated that another approximately 700 million cubic meters entered Serbia bound for Bosnia, but most observers believe that only a small quantity managed to actually make it to bombarded Sarajevo, via Zvornik. It appears that this gas was sold to the Serbian economy by NAP and "Energogas" at prices that were fair, but the big question concerns how many deliveries they were actually able to collect on. Now the new importer, Mr. Toplica Nedeljkovic, is asking who has continued to sell gas here and demanding that the NIS pay him for everything that has been sold. The "geography of interests" is getting involved here as well, because NIS in Novi Sad will have to pay for all the gas consumed in Serbia, in addition to the uncollected amounts (or that which was collected in such a way that there is no trace of the money).

Apparently the Serbian government has been continuously in motion and provided support—not for its own firm (NIS), but rather for the new "private companies," as far as the gas turnaround is concerned. To complete the irony, the protector of the entire new agreement, formally speaking, is actually the FRY and its institutions, not the Republic of Serbia. Thus, the basic agreement on gas too is called an agreement between the governments of the FRY and the Russian Federation, while Bozovic and his companions modestly call themselves the "initiators" of this document. In fact, there is something more solid in the "proposal of bases for negotiation" of this deal, where it says literally that federal institutions "have been informed by the Ministry of Mining and Energy of the Republic of Serbia that the importer of natural gas from shipments based on humanitarian aid on the Yugoslav side shall be 'Progresgas-Trejding.'" This sentence explains much, and simply means that a new monopolist was inserted into the game "from the highest post" of government.

There is one more interesting detail in the draft agreement between the FRY and Russia that has come to our attention (although not in its definitive version). Besides this draft, there is also a table containing the dynamics of projected deliveries of gas over the next 20 years, and according to the table this involves 122.9 billion normal cubic meters of natural gas. It is interesting that beginning in 1997 the table includes imports "through Dimitrovgrad," not only the quantity that has been brought in for 15 years through Beregov. This means that there are plans for hooking up with Russia through Bulgaria, naturally by pipeline.

[Box, p 24]

Cheers

An ultimatum was directed at Serbia—that its flow of "Bosnian gas" from Russia will be cut off if it does not pay for what it has already received—at a recent improvised meeting in Budapest. The Russians, who were meeting there with the heads of "Progresgas-Trejding" from Belgrade, "appointed" that company the collector of all accounts, and as debtor designated the firms present there that currently comprise the Petroleum Industry of Serbia, which has imported and distributed gas for the last 15 years.

In every toast, these Russians emphasized that in the future they want to work only with "Progresgas-Trejding." Ill-disposed witnesses comment that Mr. Toplica Nedeljkovic's firm got this kind of support more than 400 times in four days.

Serbia

Government Announces Curtailment of Assistance

[Quotation marks as received]

LD0605184593 Belgrade TANJUG Domestic Service in Serbo-Croatian 1719 GMT 6 May 93

[Text] Belgrade, 6 May (TANJUG)—At today's session, the government of the Republic of Serbia discussed a report by Prime Minister Nikola Sainovic about the progress and outcome of the peace talks on former Bosnia-Herzegovina, including a session of the assembly of the Serb republic [in Bosnia-Herzegovina] held in Pale on 5 and 6 May.

Following a detailed analysis of the current situation, the government, the republic's Information Ministry discloses, reached the following decision:

The Republic of Serbia has assisted the Serb republic [in Bosnia-Herzegovina] selflessly, without any reservations, in spite of enormous difficulties it faced as a result of UN Security Council sanctions and in the conviction that a just struggle for freedom and equality of the Serb people living there was being waged.

At the same time, the Republic of Serbia has made a substantial contribution to the peace process within the framework of the UN, with the aim of securing internationally guaranteed conditions for a just and honorable peace, conditions which will guarantee security, territory, equality, and constitutive status of the Serb people in Bosnia-Herzegovina.

The government assesses that these conditions have been created with the adjustments to the Vance-Owen plan at the conference held in Athens on 1 May.

When taking part at the Serb republic assembly session held in Pale on 5 and 6 May, Serbian President Slobodan Milosevic, National Assembly chairman Zoran Lilic, and Prime Minister of the Republic of Serbia Nikola Sainovic, presented numerous arguments aimed at assisting the Serb republic assembly in accepting the Vance-Owen plan not as the final solution, but as a good basis on which the peace process can prevent further casualties, secure a lasting peace, and realize the just objectives of the Serb people."

The government deems that the Serb republic assembly's decision to leave the final decision on the Vance-Owen plan to the people is irresponsible, because the people have not participated in the many months of negotiations, and because the people should not shield the leadership from critical decisions; rather it is the leadership which is bound to make the decisions and to answer to the people for its work.

"The government deems that since conditions for peace have been created, it is untenable and unjustifiable to continue the economic exhaustion of the Republic of Serbia and that in future assistance to the Serb republic will be restricted to food and medicines only in amounts which will be determined by the relevant ministries. With the achievement of conditions for the establishment of peace, the government considers that reasons no longer exist for further assistance in money, fuel, raw materials and so on, which have been supplied up until now at great material cost to the Republic of Serbia.

The Republic of Serbia will always unselfishly provide shelter to the wounded, refugees, and all threatened persons from former Bosnia-Herzegovina, but cannot tolerate the fact that certain leaders from this area are living comfortably and easily in Belgrade while offering the people in the Serb republic only an inflexible policy of sacrifices and deprivation.

The government of the Republic of Serbia stresses its profound respect for the efforts of the Greek government, and in particular of Prime Minister Konstandinos Mitsotakis, to assist the peace process by great political and personal involvement on the spot," the statement says in conclusion.

SRS Leader Seselj Hails Bosnian Serb Decision

LD0605153593 Belgrade TANJUG Domestic Service in Serbo-Croatian 1413 GMT 6 May 93

[Text] Belgrade, 6 May (TANJUG)—At a news conference today, Vojislav Seselj, chairman of the Serbian Radical Party [SRS], hailed the decision of the assembly of the Serb republic [in Bosnia-Herzegovina] to reject the Vance-Owen plan for former Bosnia-Herzegovina and to postpone the final decision until a referendum.

The SRS is convinced that Bosnian Serbs will reject the plan in the referendum, Seselj explained, stressing: "We are aware of all consequences of this decision."

Conditional acceptance of the Vance-Owen plan would be tantamount to an occupation of the Serb territories and it would be to no avail then to invoke these conditions for the acceptance, Seselj said.

According to him, everything happening now shows that "crucial events are about to unfold."

The SRS chairman maintains that the sanctions against the Federal Republic of Yugoslavia will remain in place regardless of "a surprisingly high degree of cooperation" between the three presidents and as long as it is necessary to separate Kosovo and Metohija, Sandzak, and Vojvodina from Serbia. He added that the sanctions will stay in place even if the maps are endorsed.

Hence he assessed "the Serb Republic Assembly has won a decisive battle on our behalf."

Asked what Slobodan Milosevic should do in Bosnia, Seselj said it would be enough if humanitarian aid is not cut off because the Bosnian Serbs "have weapons and ammunition to wage a war for five years."

Seselj noted that the SRS "occasionally" supports the Serbian Socialist Party [SPS] and Milosevic, and that on several occasions, SRS support was "crucial" when socialists were "under threat of being toppled by treacherous parties."

"We call on the SPS to continue to pursue a patriotic policy. We remind them of their preelection slogan 'Serbia will not bend,' and if they abandon the slogan, the radicals will take it over," Seselj said.

Montenegro

Montenegrin Parties React to Rejection of Peace Plan

LD0605175993 Belgrade TANJUG Domestic Service in Serbo-Croatian 1440 GMT 6 May 93

[Excerpt] Podgorica, 6 May (TANJUG)—Today we woke up to a tragic and fatalistic decision by the assembly of the Serb republic [in Bosnia-Hercegovina], which decided to vote against peace, Svetozar Marovic, secretary general of the Democratic Party of Socialists of Montenegro, told TANJUG today.

Wise initiatives and proposals have been defeated, he said, and the hopes of well-meaning people rejected and the trust of friendly parties threatened.

After such a decision, Marovic added, citizens of the FRY have a right to ask the question: Does this decision take into consideration their efforts, their suffering, their solidarity, and their agony?

It is of greatest importance now to examine all circumstances and possibilities at the disposal of the state bodies of the FRY, if they wish to diplomatically and publicly show their sincere commitment to the policy of peace, Svetozar Marovic said.

The Social Democratic Party of Reformists of Montenegro today called on top state bodies of the republic to immediately apply decisions adopted at the last session of the republican parliament which clearly stress that parliament dissociates itself from political and other forces continuing the policy of war in former Bosnia-Herzegovina.

This means, a statement issued by the party says, that Montenegrin President Momir Bulatovic and the republican government should publicly declare that the republic, its territory, and its citizens will no longer be a war base for those who reject the Vance-Owen plan.

The statement also calls for the closing of borders between Montenegro and Bosnia-Herzegovina with a view to preserving Montenegro's integrity, sovereignty, and peace.

By the will of those in power and through omissions of the current authorities in Serbia and Montenegro, the Serb people in Bosnia-Herzegovina have found themselves between Scylla and Charibdys. The signing of the plan would have been a long road into uncertainty but a road which, nevertheless, promised at least something for the time being, and maybe more in the future, said Bozidar Bojovic, vice chairman of the National Party of Montenegro.

He also said that the decision of the Assembly of the Serb Republic gives an opportunity for those in power to launch an apocalyptic invasion against the Serb people. If, on the other hand, the big powers display reason and understanding of the hurt dignity and wrath it will be a historical move, Bojovic said.

The rejection of the Vance-Owen plan was expected, said Slavko Perovic, leader of the Liberal Alliance of Montenegro. According to him, the decision of the "self-styled Serb republic" will have far-reaching consequences for the Serb people. For many years, maybe decades, the Serbian people, probably war-ravaged, will be excluded from the mainstream of European trends and will be again condemned to civilizational backwardness, Perovic believes.

He then stressed that "Montenegro must do everything to try to save itself" and that this can be done "with state sovereignty and a return to the family of world nations and states." [passage omitted]

Kosovo

Serbs Send Convoys to Podujeve, Install Forces in Gjilan

AU0605190293 Tirana Radio Tirana Network in Albanian 1730 GMT 6 May 93

[Text] Kosova Democratic Alliance reports that at about 0640 [0440 GMT] yesterday a convoy of 28 Serbian military trucks passed from the direction of Prishtina to Podujeve. The convoy then continued on its way toward Nish.

At about 1820 yesterday a convoy made up of six trucks of the Serbian Army started on the road from Nish to Prishtina.

Yesterday a communication unit of the Serbian Army installed a big antenna with a length of approximately 20 m behind the building of Besjana Hotel in Podujeve.

Reports from Prizren state that at about 1230 yesterday seven trucks with Serbian militarymen and a large-caliber cannon caliber traveled in the direction of the Kosovar-Albanian border.

On 3 and 4 May, large forces were stationed in Villush village. These forces have not only erected tents but have started to build shelters and are performing drills with arms.

On 4 May, large Serbian military forces were concentrated around Zhur in three strategic points.

The Serbian Army has also increased its movements in Gjilan commune.

A large number of the Serbian Army tanks were concentrated in Malisheve village yesterday, with their barrels turned toward Gjilan.

Content of 'Minnesota' Plan for Kosovo

93BA0967B Belgrade BORBA in Serbo-Croatian 20 Apr 93 p 8

[Article by M. Antic: "Autonomy or a Protectorate, by Hook or by Crook"]

[Text] A few days ago, the Albanian-language daily BUJKU in Pristina revealed a U.S. plan to restore autonomy to Kosovo or to place Kosovo under an international protectorate. This will occur if "by June of this year Serbia does not restore autonomy to Kosovo."

BUJKU presents that U.S. plan on almost an entire page as the Minnesota Plan, that is, the plan of the Organization of Independent Attorneys for Promotion and Protection of Human Rights, which has its headquarters in Minnesota, which it is proposing to the U.S. Government and the UN Security Council the same way "as it also suggested the plan for Bosnia and Herzegovina [B-H]."

One of the first proposals of the Minnesota Plan is that Serbia be put on notice that it should accept international conditions in connection with Kosovo, and if it does not accept them voluntarily, then it will be told that it must do so "by other means." The lawyers from Minnesota, on the basis of what knowledge they came by in Kosovo, say that the human rights of Albanians are being violated in this part of Serbia and if the Serbian authorities do not stop this, "there could be a broad international military conflict that would extend to Albania, Bulgaria, Greece, Turkey, and many other countries." This was followed by a warning that this will occur unless conflicts and the violation of human rights are prevented in good time, such as did not happen in Bosnia. It is added that the main cause of this danger is the idea of a Great Serbia, which first of all implies ethnic cleansing "and this has been seen in Bosnia and is being carried over to Kosovo." Then come slaps on the wrist of the international community, which is reproached for so far having done nothing "to thwart Serbia in its aggressive intentions."

Along with the suggestion that a special international conference be held on protection of human rights in Kosovo, the lawyers from Minnesota recommend to the United Nations, more precisely the Security Council, "that it commit itself to restoring the status of the Autonomous Province of Kosovo." It is suggested to the UN Security Council that it call upon Serbia to voluntarily accept establishment of a protectorate over Kosovo by the United Nations. If Serbia does not accept this, then the United Nations should do it by all available means. At the same time, the Albanian side should be committed to guaranteeing the rights of the non-Albanian minority.

Following the suggestions to the United Nations as to how and in what manner it should be concerned with dealing with human rights in Kosovo, and also as to which neighboring countries of Serbia should take part in this, they go back to the question of the status of Kosovo somewhere between autonomy and a protectorate. First of all, it is proposed that the United Nations not accept Serbia and Yugoslavia as members until the status of autonomous province is restored to Kosovo. In that context, it goes on: "Restoration of autonomy requires that the Serbian government fulfill the following demands: cessation of the violation of human rights, termination of repression, torture, and murder, removal of all Serbian and Yugoslav military and paramilitary forces from Kosovo, the return of all Albanians to their jobs and removal of Serbs from those jobs, cessation of the settlement of Serbs in Kosmet and discovery of every possibility for educating Albanians in Kosovo."

The Minnesota lawyers call upon the provincial government of Kosovo to fulfill the following conditions: "Respect for international standards concerning the rights of minorities and creation of conditions for proportional representation of Serbs in opstina governments, then the holding of free elections a year after withdrawal of Serbian and Yugoslav armed forces from Kosovo." Up to that point, the United Nations would oversee the situation through its representatives. Up to that point, they say, there would be no need to arm the people of Kosovo.

And then comes the conclusion:

"If the government of Serbia does not agree to restore to Kosovo the status of autonomy by June of this year, as has been stated above, or if it continues to violate human rights and basic freedoms, the UN Security Council should call upon the Government of Serbia to place Kosovo under the protectorate system on the basis of Articles 75-91 of the UN Charter. If the protectorate functions as an autonomous province, then there can be no discussion about self-determination of this region." An alternative is also offered "whereby the protectorate might be established on the basis of a summit conference of several parties." Then predictions are made as to how that protectorate should look, and in all the different versions the Albanians are afforded all the rights of a nationality, and the others the status of ethnic minorities.

A separate chapter is devoted to elaborating "how to stop Serbian propaganda" against a plan of this kind and everything that might compromise it, with particular emphasis on stopping Serbian newspapers, radio, and television.